

ECONOMIC REVIEW

VOL. IX

Hongkong, October 12, 1950.

No. 15

CONTENTS:—

	Page		Page		Page
Preventing Aggression	427	HONGKONG: Building Industry . .	439	Financial Reports	449
Whither Okinawa?	428	Aviation Report	440	Hongkong Stock Exchange	
Mr. E. Kann's USA Report . .	431	Air Imports & Exports	442	(highest & lowest rates) . .	451
Shanghai's Economic Recovery .	433	Shipping Report	444	Commercial Reports	453
Review of Japan's Economy		Imports - Exports of		Hongkong Commodity markets	454
(first half 1950)	435	selected commodities	446		
Taiwan Report	438	Exports of manufac-	448		
		tured products			

Prospects for War between America and Communist China

By A Chinese Observer

Ever since the beginning of the Korean War and President Truman's momentous statement of June 27 ordering the U.S. Seventh Fleet to "prevent any attack on Formosa" there has been much discussion in the press the world over of the imminent danger of America's involvement in a war with Mao Tse-tung's China. The general tone of world opinion has been frankly jittery. General Douglas MacArthur's subsequent visit to Generalissimo Chiang Kai-shek increased the sense of anxiety. A large section of British opinion regarded Truman's statement as a direct challenge to Peking. The Left Wing "New Statesman and Nation" went as far as to say that if war comes over Formosa "the aggressor will not be the Communists." Even so pro-America a journal as the "London Observer" was moved to remark:

A Chinese invasion of Formosa would automatically result in immediate Chinese-American hostilities. Such a war, involving America in an interminable commitment while leaving Russia uncommitted, would suit the Kremlin ideally. Moreover, India and Pakistan would almost certainly sympathize with China, and Britain would be forced to choose between America and the Asian dominions, besides being somewhat divided at home.

When the Korean war broke out it was widely believed in America that it was a Russian attempt to confuse and complicate the situation in the Far East and what the Kremlin really wanted was to provoke a war between the United States and Communist China. Russia would like to see American forces tied up in China. Once the United States is bogged down in the quagmire of that vast, populous country the hands of the Soviet Union would be freed to subjugate other countries—Iran, Turkey, Yugoslavia, Finland and what not.

Nothing has so far happened about the invasion of Formosa. Despite the ear-splitting hue and cry raised by the Communist propaganda about American imperialism, there has been no sign of military action. Now the Korean conflict has entered upon a new phase, and the South Korean troops have already

advanced beyond the 38th parallel, the imaginary line dividing the Land of Morning Calm into two hostile, armed countries. Fears of possible conflict between Red China and the United Nations forces have once more come up. The bellicose overtones of the statement made by Chou En-lai, the Communist Premier and Foreign Minister, on October 1 in commemoration of the first anniversary of the regime, to the effect that China would not stand idle "should Imperialism invade the territory of her neighbour"—North Korea—would lead us to believe that Peking is prepared to do something about it. The question is, Would Peking participate in the conflict?

* * * * *

Both the Soviet Union and Communist China are of course greatly concerned about the invasion of North Korea. North Korea is the gateway to Manchuria, the meeting ground of two of the world's greatest Communist powers. From Korea an enemy might threaten not only Russian influence in Manchuria but the far more important Russian influence in China. To Russia, therefore, the invasion of North Korea is not to be taken lightly. On the part of the Chinese Communists Manchuria is not less vital. China's economic future depends on the development of Manchuria which contains some twenty-seven billion tons of coal reserves, a billion tons of iron-ore reserves, large supplies of aluminum, molybdenum, and magnesite, and a substantial amount of copper, lead, zinc, graphite, gold and oil shale. It has some fifty-four million acres of standing timber, and its rivers have a tremendous water-power potential. It is more developed industrially than the rest of China put together. It has a surplus of food and other agricultural products. Its normal export surplus of 2,500,000 tons of soya beans would be worth about U.S.\$400,000,000 at current prices, enough to finance much of China's import needs. Peking cannot

indeed stand idle while the gateway to Manchuria is being smashed by the "imperialist" armed forces headed by the United States.

In fact, as all the world knows, the Korean imbroglio was started with the connivance of if not active encouragement from the Soviet Union in order to bring whole Korea under the domination of Russia. Immediately following the Japanese surrender in Korea in September, 1945, the Russians began to organize a North Korean military force trained, supervised, and logistically supported by them. The Russians have never concealed the fact that they had supplied munitions and equipment to North Korea prior to the withdrawal of their occupation forces in December, 1948, but they have vehemently denied that they have resupplied the North Koreans after that date. General MacArthur, in his report to the Security Council, however, was able to show that "since the outbreak of the war, a wide variety of definitely identified Soviet equipment captured from the North Koreans in battle bears the manufacturing date of 1950." The Chinese Communists have also done their share of assistance. Foreign Minister Chou En-lai stated that the Chinese Liberation Armies did release a vast pool of combat-seasoned troops of Korean ethnic origin to fight in Korea. There is no way, he declared, to prevent patriotic Koreans from defending their fatherland against foreign aggression.

Such assistance is, of course, very different from direct participation. There is no doubt that both the Soviet Union and Communist China will continue to render assistance. There is also the possibility of Peking's sending combat troops to Korea, not as Chinese, but as integral part of the North Korean army. It is difficult to distinguish between Chinese and Koreans. As a matter of fact, most of the Koreans released by the Chinese to fight in Korea were born and reared in Manchuria; they can hardly be called Koreans as such since a goodly number of them do not speak the Korean language.

The Chinese Communists would undoubtedly do everything possible to prolong the war. The Communist press talks about long and bitter

guerrilla warfare which will be carried out in all parts of Korea. The topography of the country is eminently fitted to this kind of tactics. The Chinese Communists can do much to help the Koreans since they themselves are adepts, through long years of practical experience, at guerrilla warfare. This can be tremendously costly to United Nations forces. Apart from this it is unlikely that the leaders of Red China would be so irrational as to rush into open warfare with Uncle Sam—at least not at this time.

It is positively not to their interests to engage in a conflict with Western Powers. Politically, though they have extended their control southward to the borders of Burma and Indo-China and westward to Central Asia, the Communists still have an enormous amount of work to do to reconcile the country to Communism. Since the establishment of the People's Government in October last year an almost frenzied concentration of effort has been made to convert the people of all classes to the doctrines of Marxism-Leninism. They have been rather successful with the intellectual classes, though even here it is hard to say whether their indoctrination has really sunk in. The majority of students, professors, professional men and so on who now pretend to be convinced of the soundness of Communist leadership do so only as a matter of self-protection. It is hard to believe that the Communists have succeeded in convincing any but the already convinced. As to the masses the task is harder still. The ordinary people of China are not interested in ideological issues. What they are concerned with are the problems of livelihood. Can the Communists improve the economic lot of the common people? Perhaps. But as yet they have not been able to do much. It is too prodigious a task. Agrarian reforms and other economic measures intended to ameliorate the living conditions of the common people have not yet produced the desired results. Discontent and dissatisfaction are wide-spread—not to the extent of undermining the regime, to be sure, but serious enough to cause genuine concern. No one knows what is in store for the Communists should they be so hot-headed as to plunge the country into an orgy of destruction which inevitably accompanies a modern war.

* * * *

Nothing will please Chiang Kai-shek and his fellow Nationalists better than to see the Communists dig their own graves in an international war. He has been waiting for it ever since he was driven to seek refuge on the Island of Taiwan. In the dark days of the Sino-Japanese War Chiang believed that sooner or later Japan would commit the blunder of involving themselves in a war with America and thus convert China's war into a world war, from which he would emerge as one of the world's great leaders. When

almost all of his closest followers were disheartened and ready to give up, he was adamant. For a time he was under strong pressure to make a compromise with Japan who had offered peace terms which would have been highly advantageous for him and his government. But he refused. He had immense faith in himself and in the righteousness of his cause. History has proved that he was right. If he was right then, who can say that he is wrong now? He sincerely thinks that a World War III would eventually solve all his problems. He proposes to fight on, even if it means standing alone. He has great contempt for Britain, a nation, in his estimation, given to trampling upon the weak and cringing to the powerful, all for the sake of trade interests. Did not Britain close up the Burma Road to Chinese traffic in the darkest hours of his struggle against Japan? Britain's recognition of the Communist regime, he thinks, is on a par with the closing of the Burma Road. The Americans are regarded by him as a bunch of playboys who don't know their own minds. He has only pity for Nehru for, according to him, India will be the next victim of Communism. Meanwhile he is satisfied that at least part of his anticipations has come to pass—the Korean War. He is willing to bide his time and wait for the unfolding of the next scene of the tragic drama.

Thus, more than anyone else, Chiang Kai-shek expects the Communists to get embroiled in a war with America. Would the Communists do it? Being realists as well as theorists, they would do nothing of the kind. To be sure, Mao Tse-tung and his followers will continue to talk in a bellicose tone. It is to their advantage to do so. They are quite right in thinking that the Western Powers are no more anxious to get involved in a war with the Communists than they are with them. Their immediate objective is to be admitted to the Security Council of the United Nations as one of the five permanent members. Britain has committed herself to support them. The United States is the chief obstacle. If they are tough enough Britain would be forced to induce the Americans to join in. After all, they are in effective control of China. No country can afford to ignore them for long. Their blatant accusation of American aggression on China has already produced results. Greater things are expected to follow in the not too distant future.

* * * *

Economically, it does not pay to go to war with a foreign power. China's economic future depends on Manchuria. Manchurian industries were in a bad shape when the Communists took over. They have been working frantically to restore the industrial capacity to pre-war levels. While steady progress is being made it will take several years more before this can be achieved, even with the technical assistance of the

Russians. China is a backward country. The road to modernization is long and tortuous. Manchuria is their outstanding prize and pride. They cannot afford to consign what little they have to the merciless flames of a modern war.

In China Proper conditions are still worse. Devastated villages, ruined cities, wrecked railways and highways, hungry and weary people are problems awaiting immediate solution. It is true that inflation has been checked and prices have been stabilized. But at what costs? This seemingly wonderful achievement has been made at the expense of general prosperity. Inflation is checked only by bleeding the people white as a result of staggering taxes and other forms of exactions. Prices are stabilized because the people are devoid of purchasing power. All this is not a sign of robust health but of anemic debility. In these circumstances it would be suicidal to engage in a foreign war.

But, it might be argued, wars may arise by accident, even though none of the parties want it. History abounds in examples in which national prestige and nervousness and hysteria played a decisive role. Certainly there are at present enough scattered embers to cause a conflagration. But this kind of accidental war is less likely to happen under modern conditions. Today people are too well acquainted with the horrors of war to let nervousness and hysteria lead them astray. They have learned to keep cool in explosive situations. This is especially true with Communist regimes. It is the Communist method to put up a warlike attitude but to act with circumspection. The people are well disciplined and the press is under complete control, and the leaders can advance and retreat with perfect ease. Red China is no exception.

It may also be argued that Red China is not a free agent; if the Kremlin tells it to go to war with America it has no choice but to risk it. The Soviet Union, it has been said, is not ready to start a war with America because it is fearful of America's superiority in industrial production. China's vast territory and huge population would render a war against her a very costly matter. What Russia is manoeuvring for is to get America's hands tied up while she herself is free to prepare for war. This may sound plausible. But we have no basis to conclude that it is true. In the first place, if Red China is involved in a war with the United States it is unlikely that the Soviet Union can keep out. Under the terms of the treaty of alliance concluded in Moscow in February this year, Russia is bound to come to the help of Red China should the latter be threatened with aggression. In the treaty Japan, and not the United States, is singled out as the possible aggressor. But everyone knows that America is meant wherever the word Japan is mentioned.

Nor is it to Russia's interest to have China involved in a war with America. The victory of the Chinese Communists

has been achieved the hard way—after more than two decades of desperate struggle. Russian diplomacy and Russian arms played no part in the struggle, and therefore Russia can hardly claim the credit for the amazing success of the Chinese Communists. There are indications that Stalin had underrated Mao Tse-tung before the latter's final triumph. Nevertheless, Mao has pledged his loyalty to the Kremlin; as such Mao's victory is also Stalin's victory. Stalin has everything to gain from a strong Communist regime in China. With China's millions at his disposal his dream of controlling the world is half done. There is no good reason for him to send this valuable ally to perdition just at a time when that country is beginning to consolidate its gains and build up a solid monolithic political structure.

What is more, Manchuria, where the war will in all probability be fought, is just as important to the Soviet Union as it is to Communist China. It is in fact far closer to Russia than it is to China Proper. Through Manchuria the Soviet Union controls the Chinese Revolution by holding the key to China's industrial future. This is something to make Mao Tse-tung more dependent upon the Kremlin. Certainly the Kremlin would not relish the prospect of a devastated Manchuria in a war which will surely be fraught with unforeseeable and unpredictable consequences.

* * * *

This brings us to the question of the possibility of Titoism in China. Of late there has been a recrudescence of the rumor of Titoism in China in the Western press. It has been said that the exact relationship between Mao's Communist China and Stalin's Communist Russia is one of the great question marks of our time. But we see no solid evidence for this point of view. Mao Tse-tung himself had made it abundantly clear that his regime is on the side of the anti-imperialist front headed by the U.S.S.R. Lest there should be any misunderstandings about it Chou En-lai has now reiterated his Government's position in a statement on October 1, which should be taken as a conclusive answer to those who still doubt. Anyway, the burden of proof is on the doubters. (See also an able discussion of this problem in the September 21 issue of the Far Eastern Economic Review by Prof. E. Stuart Kirby).

No, the fate of Mao Tse-tung's China is irrevocably bound up with that of Stalin's Russia. This is all the more reason for believing that there would not be war between the United States and China. Peking would not be so foolhardy as to bring itself to the brink of ruin. Moscow would see to it that Peking would not make such a blunder.

Communists all over the world are at present waging a campaign for peace. The fact of naked aggression in Korea does of course make nonsense of this campaign. On the other hand, we

PREVENTING AGGRESSION

The American plan to organize an international Peace Army to combat aggression is in effect one of the direct results of the present war in Korea where, for the first time, a United Nations "police action" has taken place. Seven nations are sponsoring the plan to establish a permanent Peace Army and it is anticipated that more will follow.

The Korean war has the beneficial effect of arousing the nations and is a stern warning of what might conceivably happen elsewhere and nearer to their own borders. Fortunately they have not been slow to respond to the challenge and the proposed Peace Army might become one of the best united efforts to suppress any subversive activity that might arise, provided that the members of the Security Council unanimously agree to do their part. It is ob-

vious that working out the details of the plan will create difficulties, but it cannot on that account be ruled out.

The idea of an international Peace Army is not altogether new, and in the past various suggestions have been aired by those who, recognising the possibilities of the dangerous system of "each country for itself", have sought means of preventing an outbreak of hostilities. These proposals invariably dropped into oblivion for lack of support now that the United States with Mr. Dean Acheson as prime originator, has put forward this new plan, hopes are aroused that something along this line may be achieved. Britain, Canada and France, not to mention other smaller nations, have already endorsed the scheme in principle.

It is not proposed to maintain any international force as a separate police unit under the United Nations, but that members should maintain within their own national army some fully trained and fully equipped elements which could be made immediately available should the need arise. Mr. Acheson is confident that this could in no wise be construed into an aggressive action by any people and this point is strongly emphasised. It is obvious however that the leading nations of the world, because of their better capacity to re-arm, would have to bear the larger share in the maintenance of this force, but judging by the readiness to acquiesce in the project and in view of the common danger now facing the world, they are apparently prepared to undertake the additional burden.

Keen disappointment is felt that the North Korean forces who have already ruined their own country did not accede to General MacArthur's ultimatum to surrender following the occupation of Seoul.

General MacArthur has now stated that unless an answer is forthcoming he will "at once proceed to take such military action as may be necessary to enforce the decree of the United Nations". An international police force is therefore already in effect and the new Peace Army could be regarded as simply an extension of the present force into a permanent body. The advantage of a prepared unit is that it not only would prevent the outbreak of hostilities and the total ruin of a country but that it would be immediately on hand to prevent any such outbreak. The Security Council or, failing that because of the possibility of a veto rendering it inactive, a special peace observation commission, would report on any situation in any area where tension was apparent thus preventing a sudden attack on a totally unprepared victim.

The scheme at present is nothing more than a proposal and it is obvious that the pitfalls and objections will be many, but whatever the outcome—and the present situation de-

must not dismiss too lightly the significance of the whole movement. We believe that the peace campaign is a definite indication that the Soviet Union is fearful of a third World War. It is to their advantage to avoid it. Russian expansion, it must be remembered, has never been made by means of open wars. Rather, it was usually done by sly and cautious penetrations without involving undue risks. The Finland campaign was an exception. The Korean War is another. But these seem to have been the results of miscalculations. In the Korean case the vacillation and indecision and dilatoriness of American policy have at least been partly responsible.

Current Stalinist doctrine does not demand war. On the contrary, it teaches that the internal contradictions of the capitalist system will eventually bring about its downfall. The role of the Soviet Union is not to destroy the capitalist states by means of war but to hasten the process of disintegration from the inside. The job is left to native Communists or Communist Parties in each individual state. The Kremlin, through such agencies as the Cominform, undertakes to direct and supervise these Parties. No direct military action is required.

In Korea, therefore, the Soviet Union and Communist China will continue to support North Koreans both morally and materially. Even after all North Korean troops have been obliterated, the struggle will go on, either by guerrilla activity or by underground terrorism or both. Under no circumstances, however, will Russia and China participate in a direct way. And, as far as Formosa is concerned, the Chinese Communists will not, it is believed, launch any attack so long as the U.S. Seventh Fleet is in Formosan waters. Apprehensions of the dangers of America's involvement in a war with Red China are thus unfounded.

WHITHER OKINAWA?

By

Joshua W. K. Liac

CHINESE DESIGNS

In October, 1947 there were published in numerous foreign periodicals reports about the Formosan Separatist Movement promoted by an increasing number of Formosan malcontents asserting that "99% of the Formosans are anxious to be separated from China, or to be neutral in the KMT-CCP conflict," and projecting their hope for a chance to "declare their popular wishes in the coming peace conference for Japan." Strangely enough, neither the Foreign Ministry nor the Information Office of the Nationalist Government in Nanking or any of the leading papers throughout China uttered any word on the subject. Instead, all influential papers in Shanghai repeatedly published scholarly discussions on the history and geography, people and culture of the Okinawa Archipelago. All in all, they hoped for the recovery of the maritime country at the coming Japanese Peace Conference. The bold "Shun Pao" in an editorial even promised the people local autonomy of the highest possible degree. In reaction the American-owned "Shanghai Evening Post" declared that it would be impolitic for the Chinese to extend their administrative muddle beyond the troubled Island of Formosa!

Nevertheless, the defunct People's Political Council at Nanking passed the resolution to demand the retrocession of the Loochoo (Ryukyu) Archipelago and had it included in the Chinese agenda for the Japanese Peace Conference. On the morning of October 24, 1947 Premier Chang Ch'un arrived in Taipei to preside over the celebration of the 2nd anniversary of the Formosan retrocession the following day. When the ceremony was over, Chairman

Huang Chao-ch'in of the Taiwan Provincial Council officially spoke before the Chinese Premier denying the existence of any Formosan separatist movement. On October 26, when Chang Ch'un was speaking about the forthcoming recovery of Okinawa, Governor Wei Tao-ming and Huang Chao-ch'in at once joined him. On October 27 a number of native Formosans presented a joint-petition to Premier Chang Ch'un for the same claim.

On November 2, 1947, the American-owned "Manila Daily Bulletin" retorted by quoting an unnamed Foreign Affairs Department source for stating that the Philippines would oppose China's claim to the Ryukyu islands at the Pacific Peace Conference and also to other islands of the chain stretching between the Philippines and Japan Proper, and that the Philippines would request a plebiscite for the Formosan people to determine their own status by themselves. On November 4 the same paper in its editorial justified all such Filipino assertions and suggested free expression of the popular wishes of Formosa in a world organization; while one day earlier a certain high officer of the US Occupation Forces Headquarters in Tokyo insisted on the plausibility of continued American rule in the Loochoo (Ryukyu) Archipelago in view of the growing Russian influence in the Korean Peninsula.

This time newspapers in China and Formosa were roused to bitter comment denouncing the Filipino aspirations as absurd in motive and contradictory to the Cairo decision. On November 14, the "T'ieh Pao," a Shanghai tabloid as it was, attempted a rational analysis of the behind-the-scenes motives of the Filipino opposition to the Okinawa restoration to China, saying:

The recent Filipino objection to the Loochoo restoration to China and intention to request a plebiscite for Formosa—such a motion is not an expression of Filipino unfriendliness to China but a revelation of American ideas that the United States found inconvenient to utter directly but better express through the Philippines as spokesman to sound out international responses.

Why does America cherish such "wild aspirations?" Not that she is unfriendly to our country, but that she wants to build up an anti-Communist defence-line. For instance, the reason why China's interests were greatly sacrificed by the secret agreement reached at the Yalta Conference during World War II was that America anxious to beat Japan quickly was forced by Russia into it. To speak frankly, America is not necessarily unfriendly to China, but her low opinion of China is a fact.

As to why America wants to continue occupying the Loochoos and must step into Formosa, as far as we can surmise the reason, it must be that over-worried about the insufficient strength of our Government to suppress the Communists she wants to build up an encircling defence-line stretching from the Aleutian Islands through Japan, the Loochoos, and Formosa up to the Philippines in the Pacific Ocean; so that in case of any emergency even China will be included therein and assisted and the offensive against the enemy can be launched.

Speaking from this viewpoint, all we should do is to suppress internal disturbances in order to stop other people's design and spurn their pretexts. To speak further, if we can clarify the ownership of the sovereignty in our hands as though we were the proprietor and America the manager of those islands, the situation will be acceptable.

On the same day of the "Sin Wan Pao" in its editorial suspected that the Filipinos had been instigated by the Japanese inasmuch as all Japanese statesmen like Yoshida, Ashida, and Ozaki had just uttered the same desires.

Though the Foreign Affairs Department of the Philippines on November 4 announced that none of its staff members had ever made such a statement as reported the other day, yet the danger to the Philippines arising from the complete control of the Ryukyus by a single power might constitute the reason for their objection to the restoration of the archipelago to China, it added.

On November 6, however, the "Manila Daily Bulletin" again editorialized that the recent request by the Chinese Premier Chang Ch'un to recover the Ryukyus was merely a sort of political balloon to test the direction the international wind was blowing. "The Ryukyus having no economic value to China, the United States sacrificed vast quantities of money and many lives for them. To be fair and just, not only the Ryukyus should be placed under a United Nations Mandate even Formosa, too, should be so," it contended.

On this issue between Okinawa and Formosa both the government and the people in China maintained reticence; whereas inside Formosa government-sponsored civil organizations, city councils, and KMT papers and leaders poured out fresh protests against the Filipino assertions. On December 1, 1947 when the Provincial Council opened its semi-annual session, the first resolution passed was the proposal introduced by Chairman Huang Chao-ch'in to petition the Central Government to recover the Loochoo Archipelago through all available negotiations.

Meanwhile, Okinawa residents in Formosa, too, submitted their joint petition through the Taiwan Provincial Government to the Central Government in Nanking for the retroces-

mands quick action—it is reassuring to know that the larger and more important members of the United Nations are fully awake to the danger of aggression which is already threatening to spread to other countries.

Another and perhaps still more effective point in the rearming campaign is the extent to which the United Nations can assist those countries already devastated by war and as Mr. Acheson remarked "what the United Nations will be able to do in helping the people of Korea to rebuild their country will be watched with keen interest by the people of many other countries whose need is for development aid." The United Nations has therefore a two-way plan to offset aggression both of which should weigh heavily in the scales against political unrest.

sion of their native land to China. Before the end of 1947 Ch'iu Nien-tai, Chairman of the Provincial KMT, after persuading the Chairman of the Loochoo Residential Association to adopt Koxinga's surname Cheng, secretly brought him to interview Generalissimo Chiang Kai-shek in Nanking.

Three years had elapsed when Formosa not only reappeared on the newspaper headlines everyday but even came up for international discussions in the United Nations particularly following President Truman's announcement on June 27, 1950 of his new policy towards Formosa and recognition of its present status as undecided pending the Japanese Peace Conference or UN consideration. Early in September, 1950, as the Formosan League for Re-Emancipation again sent a petition to Lake Success and to the Allied Nations for sponsoring a plebiscite for Formosan Independence together with an accusation of Chinese tyranny and robbery, the KMT refugee authorities in Formosa became so desperate as to revive their demand for the return of the Loochoo Islands to Chinese sovereignty at the Japanese Peace Conference.

Meanwhile, the KMT-sponsored Loochoo Residential Association in Formosa distributed a pamphlet on September 15 addressed to the UN General Assembly and all Allied Nations, asking:

1. The sovereignty of the Loochoo Islands should be returned nominally to China;
2. China and the United States to jointly control the islands with Chinese civil administrators and American military administrators and permitting the United States to maintain military bases there so as to build the islands into a formidable bulwark against Communism. On the ground that the Loochoo Islands had been under Chinese sovereignty for more than 2,000 years before they were annexed by Japan in 1874, the Association based their historic claim of retrocession to China.

Between the surface value and the basic motive there seems to exist an ocean-wide difference. Economically, Okinawa unlike Formosa is too poor to be exploited by greedy Chinese officialdom. Strategically, however important, the KMT authorities cannot hold the archipelago in future. Thus, as a bargain they want to govern the country but want the Americans to protect it, sitting behind with ease but making others take every risk! Between the lines, however, it should be understood that the way of solving the Okinawa Problem as proposed by the KMT authorities is exactly the way they want to have the Formosa Issue settled—claiming nominal sovereignty, running the civil administration, while enjoying US military protection. Wanting more and doing less, that has been the beaten track of the decrepit KMT regime for the past ten years.

UNITED STATES INTENTIONS

Such a KMT demand conflicts with the United States policy of obtaining trusteeship of the Ryukyu Islands and the right to maintain military bases there, which intentions the Chinese want to utilize to bargain for military protection. The strategic value of the archipelago was already understood the minute Commodore Matthew Calbraith Perry called at Napa (present Naha) in 1853. Sent out to Japan by way of the Cape of Good Hope by President Fillmore in 1852, Perry after visiting Uraga, Japan, in July, 1853 turned to the Bonin Islands, 500 miles southeast of Japan Proper and then chose a coaling base at Napa Island (present Okinawa Island in the Loochoo Archipelago) by concluding a treaty with the insular ruler. It was Perry's far-sighted intention to extend American influence over the Bonins, Napa, and Formosa against any further European extension into the Western Pacific.

The US Senate ratified the Loochoo-American treaty, which was signed on July 11, 1854, and provided for the shelter of shipwrecked sailors and the opening of Napa for trade and procurement of naval supplies. But Perry's proposals for establishing spheres of influence in the Far Eastern Waters were rejected by the US Government. When Japan established her sovereignty there in 1879 and inaugurated the Okinawa Prefecture, she assumed responsibility for the maintenance of American treaty rights.

With the new name Okinawa superseding both the Chinese Loochoo and old Japanese Ryukyu, the archipelago practically slipped out of the American memory for seven decades, till the spring of 1945 when General MacArthur decided to occupy the islands in order to quickly bring Japan to its knees. The US conquest of Okinawa was a costly victory though worth the price. From April 1 to June 21, 1945 the campaign took 82 days and tolled 46,319 American casualties with 11,879 killed including Lt.-Gen. Simon Bolivar Buckner, Jr., Commander of the 10th Army, and 34,422 wounded in addition to the loss of 32 vessels sunk and 100 damaged. On the Japanese side were inflicted the casualties of 101,853 killed including Chief Commander Lt.-Gen. Ushijima and 9,498 taken prisoner and the loss of 400 aircraft and innumerable boats including the remaining 45,000-ton warship Yamato (sunk on April 7 on its departure from the Inland Sea for Okinawa).

Though the expeditionary forces had been scheduled to land in Kyushu on November 15, 1945, the Japanese sued for peace three months earlier. After the surrender ceremony was held on September 7, 1945 under Gen. Stilwell, the American fighting forces started their homeward trip, leaving only a few thousand to garrison the islands and the mountains of supplies piled up there.

OKINAWA AND ITS PEOPLE

Economically the archipelago has become more a liability than an asset. Stretching from a point 80 miles south of Kyushu to a point 73 miles from the northeast coast of Formosa, the chain of islands lies between 24° and 30° North latitude and 123° and 130° East longitude. There are about 60 islands in number covering a total area of 1,844 square miles and a population of 840,379 (in 1940). The northernmost islands are of volcanic origin; the southernmost ones, of coral formation. In the central group lies the largest island Napa, subsequently called Okinawa, which gave its name to the Japanese prefecture co-extensive with the archipelago. It is 70 miles long and 7 miles wide on the average—only 3 miles on the narrowest spot. On its southwestern coast is situated the present capital Naha with about 66,000 inhabitants while the native capital Shuri is a few miles in the interior and has half as many people. A short railway connects these two cities and extends over other main towns through the island.

So densely populated as to have 455 inhabitants per square mile on the average, the country is becoming the poorer unless emigration and industrialization find new outlets. Many of the islands being hilly and rocky, there can be on the average only 1.6 acres of arable land for each household. Though the land produces such edibles as sweet potatoes, rice, sugar cane, bananas, and coconuts, most people day in and day out have to live on potatoes and salted fish. As to cattle-raising, they raise pigs more than sheep, oxen, or horses; so much so that for some reason or other a law from time immemorial has required each family to raise four pigs at least. Still they hardly find enough to eat unless they catch fish and make salt. Thus, almost every native islander is both a peasant and a fisherman. As to manufactures, they have been able to export small quantities of sugar, indigo, fiber-fabrics, and exquisite lacquer known for its durability and beautiful vermilion-color, but barely enough for importing many of their daily necessities from abroad. Only on the hitherto meager level of subsistence can the country claim to be self-supporting. Japan and Hawaii had been for decades the main outlets of Okinawa emigration.

Since VJ Day repatriation has been heavy which increased the population pressure more than at any time in the past. Though the Americans have giving much work to the natives, yet there are not many new factories able to absorb the repatriated soldiers. Fuel is always hard to get. Trees are few and far between. For domestic consumption only hays and bushes, dry weeds and reeds are procurable. In consequence, it is not uncommon to find truck-tires being used as fuel for industrial purposes. Labor is abundant, but capital is little; while fuel and raw materials always make serious problems. Power is costly.

Should the country be fertile and the population not so dense, one might easily envisage Okinawa as Hawaii II. Even so, the climate is not comparable to that of Hawaii. While sunshine in the archipelago is excellent and the air is dry, there befall the country every year between 12 and 45 typhoons—from 3 to 6 of them blowing at the speed of 175 miles per hour, an airplane speed!

Every island being too hilly and every harbor too shallow, experts have found the country not suitable for a military or naval base. Nevertheless, as near as 500 miles to Shanghai and 300 miles to Formosa the Okinawa Islands remain useful for building air bases. Throughout the whole archipelago the Japanese used to have as many as 25 airfields. At present the two big air bases are Naha and Kadena in the center of the main island while those at Yontan, Yonabaru, and Matena are under construction.

All new establishments have to be typhoon-proof; otherwise, the annual loss of US\$10,000,000 or 12,000,000 since 1945 will continue. Thus, for permanent military constructions US Congress recently decided to spend \$58,000,000, which will soon be followed by \$200,000,000 more. To reclaim the sovereignty being one thing and to defend it, another, however strategically valuable the place may be. Therefore, neither KMT China nor postwar Japan for a long time to come can possibly bear the cost and up-keep of fortifying the archipelago.

JAPANESE AMBITIONS

The Japanese like the Chinese wrote their own version of the Ryukyu story. While calling themselves Children of the Sun Goddess Amaterasu, they styled the mythical founder of the insular monarchy Tinsunshi or "Grandson of Heaven." About the end of the 12th century his descendants were driven from the throne, when the old national loyalists installed as ruler a victorious leader by the name of Shunten. Creating order out of chaos, Shunten founded the new ruling dynasty. According to Japanese historians, in 1177 Tametomo Minamoto, the heroic uncle of the First Shogun Yoritomo Minamoto, who had been exiled to Oshima of Izu, did not actually commit suicide by drowning himself, but, instead, stole away in a rowing boat and finally reached the Ryukyu Islands. There he married a native woman and gave birth to Shunten, who grew to become the founder of the historically known ruling family of the archipelago. In all probability it was during Shunten's reign that the arts of reading and writing were officially introduced among the islanders as alleged by the Japanese-written history. Yet like the Annamites they read and wrote Chinese, inventing no phonetics of their own as the Koreans, the Japanese, the Manchus and the Mongols did.

In 1590 and 1591 the Japanese Shogun Hideyoshi Toyotomi wrote personal letters to the archipelago, demanding tribute. In 1609 Ichisa Shimazu, feudal lord of Satsuma (western half of present Kagoshima Prefecture) invaded the islands with 3,000 men, raided the capital, captured the king, and took him back to Kagoshima. A few years later the captured king was restored to his throne on condition of acknowledging Japanese overlordship and paying tribute. But the islanders continued paying tribute to China as before.

Paying tribute to both, the archipelago remained a buffer state between them. During the severance of communications between China and Japan Napa flourished as a transit port. After Commodore Perry had knocked at the door of Japan, Japanese expansionism turned from insular to overseas through the ideas of a young, energetic patriot, Shoin Yoshida. A personal teacher of Hakubun Ito, Yoshida advocated the annexation of Sakhalin, the Ryukyu Islands, Korea and Manchuria when modern Japan was still in the cradle. Executed as a radical agitator in 1859, he left his pupil Ito to become the Bismarck of Japan to carry out the expansion program.

Of the above coveted regions, the first to fall a victim was the Ryukyu Archipelago. In the autumn of 1871, 54 Ryukyu islanders blown ashore in South Formosa were killed by ferocious aboriginals of the Peony Tribe. In 1873 four more were killed by them. Claiming the Ryukyu inhabitants to be Japanese nationals, the Japanese Government instructed its envoy Tanetomi Soejima at Peking to notify the Manchu Court. The Manchu authorities, regarding the aboriginals as outlaws, denied any responsibility. Consequently, in April, 1874 Tokyo dispatched an expedition of 3,658 men under the command of Lt.-Gen. Tsugumichi Saigo and several American advisers. In the summer of the same year the Japanese fighting forces brought the aboriginals to their knees and took to construction of military barracks and hospitals, roads and bridges, with a view to stationing them there permanently. Alarmed thereby, the Manchu Court sent Shen Pao-chen to inspect Formosa and offered 100,000 taels as compensation to the families of the Ryukyu refugees killed and 400,000 taels for all the Japanese establishments in the place. In January, 1875 the Japanese left Formosa.

In April, 1879 the Japanese Government incorporated the Ryukyu islands into the Empire as the Okinawa Prefecture and dethroned the native ruler by pensioning him as all Japanese feudal lords had been pensioned. Taken to live in Tokyo as Marquis Shunten, he continued to be regarded as a descendant of Tametomo Minamoto by the Japanese. The Manchu Court refused to recognize such a unilateral action till the war against Japan was lost in 1895.

Not as in Formosa, Korea, or any other conquered region, the Japanese in Okinawa never upheld the master-race theory there and were rarely ac-

cused by the native inhabitants or any neutral observer of oppression, discrimination, and exploitation. Before the law the Okinawans were the same as the Japanese. While enjoying the same civil rights, they were required to perform such essential duties as paying taxes, receiving six-year primary school education, and rendering military service. Co-education and intermarriage between Japanese and Okinawans were encouraged. Ennobled personages became peers; the people elected representatives to the Imperial Diet. Later, in Formosa, Korea, and elsewhere the Okinawans enjoyed the same conquerors' privileges as the Japanese. So much so that the Okinawans adopted the Japanese language, observed Japanese customs, and cherished Japanese beliefs.

During the war years the Okinawans appeared as loyal to the Mikado as the Japanese. Sure of native support, the 200,000 strong garrison under Lt.-Gen. Ushijima, a famous Japanese strategist transferred from Manchuria and a former War College President, were determined to contest every inch of territory in case of an Allied invasion. After the American landing, they fought desperately a losing battle.

Since VJ Day the Japanese have never forgotten Okinawa for one moment. Racially, they claim the islanders to be of the same blood. Historically, they see all Ryukyu affairs vitally related to Japan. Geographically, the chain of islands cannot be anything but an extension of the Japanese archipelago and therefore make the best southern outposts for Japanese defence. Economically, on the Japanese standard of living the Okinawans can remain as self-sufficient and happy as before. Therefore, Foreign Minister Ashida of the Katayama Cabinet in 1947 said before foreign correspondents that the Japanese were hoping for the retrocession of Okinawa at least for sentiment's sake. A bit earlier than this, the elder statesman Yukio Ozaki had also advocated the holding of a plebiscite not only in Formosa and Korea but also in Okinawa and Manchuria. The Okinawans it is assumed in Japan would vote for reunion with Japan.

NATIVE ASPIRATIONS

Mention of Loochoo or Liuchiu in Chinese records appeared for the first time in the Dynastic History of the Sui (589-618). But it referred to Formosa then. The Mongols during their rule in China (1279-1368) sent out commercial fleets and diplomatic officers to the Loochoo Islands to accept a vassal status to their Court. In 1372 the Ming Court again obtained from the Loochuans recognition of Chinese suzerainty. From the ruling authorities the islanders imported cultural attainments and political institutions; from ordinary Chinese—Wenchow fishermen and Foochow lacquerers, for instance—they learned practical crafts. Though Chinese influence was the strongest during the middle ages, yet the recent KMT claim to have exercised 2,000-year sovereignty over the chain of islands is as fantastic as the mythical account of the origin of the

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann, (Los Angeles)
(Special to the Far Eastern Economic Review)

The Economic Situation

U.N. military action in Korea was crowned with decisive success much earlier than could be expected. Yet, preparations for preparedness will not be curtailed; they will definitely proceed, since it has positively been asserted that only preparedness can hold off attacks from outside. This determination signifies continued industrial activity in America, both for this country's own advantage, as well as for assistance to its allies. During the third quarter of the current year as much as 5 billion dollars has been spent on new plants and fresh equipment in USA.

In reviewing the state of this country's economic and financial position as these appear at the present juncture, one is faced with fluctuating movements. When the Korean campaign's results were decided, vouchsafing an early peace, share values at the New York Stock Exchange dropped

one morning more than 3 points, as measured by the Dow-Jones averages, in expectation of reduced industrial activities. But on second thought operators correctly argued that stockpiling and re-arming is sure to continue for some time to come. So, shares rose once more within the next two days, to their previous level.

The Federal Reserve Bank Index for industrial production rose from 197 in July to 205 in August, a new high since summer of 1945. What is more significant, the consumption of raw cotton in America is now 42% above of what it was a year ago. Textile operations are having a boom, in contrast-distinction to some months ago, when there existed a textile crisis. Personal income now stands at the annual rate of \$219 billions, which means 15½ billion dollars above what it was a year ago. During July and August 54,000 new freight cars were ordered for use in this country, bring-

ing up the backlog to 86,000 cars. Electric power production stands 17% above of what it was a year ago. The volume of new building construction for 1950 will aggregate 25 billion dollars; this signifies about 2 billion dollars above 1949. Retail business has been excellent and bids well to exceed the retail trade for the fourth quarter of 1950 by 5-10%.

Against these highlights one must not fail to see derogatory factors. The most formidable amongst these is demands coming from labour. Using an advance in the cost of living expenditure, workers are either getting, or demanding, rises in wages, from 10 cents an hour upward. The huge army of wage earners at the General Electric Co. asked new contracts, stipulating automatic increases in their wage scales when the index for cost of living goes up; but not agreeing to a reduction of income when the index points downward. Another unfavorable factor is to be found in the uncertainty surrounding the problem of excess-profit taxes, respectively the period from which such levies might be fixed retroactively. There is already now a shortage of skilled labour in this country.

But viewed calmly, it must be admitted that favorable factors are predominating. Business results for the fourth quarter, and dividends to be disbursed, are assured to be good to excellent.

Canadian Pacific Railway Co., though situated in Canada, is widely traded in America. Its net results for the first 8 months of 1950 were \$15,700,000, compared with \$6,300,000 for the identical period of 1949.

insular rulers attempted by the Japanese. During the last hundred years Japanese outweighed Chinese influence. Therefore, even after VJ Day the Okinawans still look to Tokyo for their cultural center.

The older people can still talk their native tongue; the younger generations speak Japanese only. None the less, they all remember that they had been for centuries an independent nation however small and weak. Likewise, they are sure that they have been neither Chinese nor Japanese. Most probably they want to be neither hereafter. But so far no self-assertion of native vigor has ever emerged. Racially they are predominantly Polynesians nearer to the natives of Guam and Hawaii than to the Chinese or Japanese despite centuries of contact with both.

Unlike the Formosans who have been for centuries struggling against unjust rulers and unwanted intruders, the Okinawans have been comparatively docile and tractable. This was so because all the peoples they have been contacting are actually superior in many respects, bringing them new arts and crafts besides weapons and munitions. The natives now saw during the recent war that the Americans effected a landing, brought the Japanese to their knees, and conquered the country inch by inch. Trained by the Japanese to obey the stronger, they are perfectly willing to bow their heads before every G.I. To their surprise, they have found the new rulers taking less and giving more than the old ones. With local self-government they can be satisfied. In fact, since VJ Day they have enjoyed much greater freedom to manage their own affairs than the Formosans have done under the KMT tyrants.

While the US Occupation Forces are enlarging the scope of freedom for the native Okinawans, two seditious forces have been budding—the Communist Movement and the Back-to-Japan Movement. Communism was imported from Russia spreading by Ryukyu repatriates from China and Siberia; the return to Japan movement has been engineered by Japanese politicians and journalists. Of the repatriates as such the American authorities rarely lose sight. Because of few able theorists and propagandists, they seem to make little progress.

Inside Okinawa there has been no Back-to-China Movement at all.

It is the Back-to-Japan Movement that deserves special attention. Yet the American authorities have been admitting all SCAP-authorized printed matters into Okinawa and letting schools use the same texts and references as those in Japan. Naturally the Okinawans have been thinking, reading, and writing very much the same as the Japanese.

Characteristic of native aspirations in Okinawa is their lack of initiative. They have never said on their own accord exactly what they want. Leadership is lacking for the following reasons; Many able people have for decades emigrated, and in the recent war a number of vigorous men fell in action. Though literacy is very high among the people, yet college graduates remaining in Okinawa are few not to speak of any foreign-educated native. The islanders are still a flock with no shepherd. Should any international rule be intended for Okinawa, any seditious force must be nipped in the bud. For this purpose a new type of liberal culture must be fostered among the people. So must native leadership be nurtured without delay.

The High Cost of Wars

It is generally asserted that taxation during the second world war was not high enough; hence the stupendous increase in the national debt of the United States. The present imbroglio will therefore be financed by direct taxation, so as not to increase national indebtedness, or offer a lever to creeping inflation. Taxes must by force of circumstances be high, since the cost of raw materials and also of production have risen enormously. The higher level of commodity prices naturally brought about a corresponding increase in the scale of pay for soldiers involved in military action. Whereas, in 1935 the average yearly cost of maintaining an individual soldier in America for pay, food and uniforms was \$960, in June of 1950 it stood at \$2,640.

The "Washington Post" recently analysed the situation by publishing an instructive table relative to the fighting man and his armament. The said tabulation is quoted herewith verbatim:

	World War II	Today (Before Korea)
Pay of recruit	\$ 21 (later \$50)	\$ 75
Garand rifle	31	64
Medium tank	55,000	200,000
Antiaircraft gun	10,000	300,000
Medium bomber	185,000	1,246,000
Pursuit aircraft	50,000	183,000
Infantry division (with original equipment but exclusive of pay, cloth- ing, food, etc.)	14,500,000	74,300,000
Airborne division	15,000,000	75,000,000
Armored division	30,000,000	200,000,000

In light of these figures it is easier to understand why an appropriation of \$444,000,000 sustained an army of 188,000 men in 1939, whereas \$4,000,000,000 was needed for an army of 592,000 before Korea.

Business Uncertainties

There is no question that, due to the imminent close of the Korean hostilities, a certain amount of apprehension as to the reversal of business activities might be brewing. Actually the occurrence of the war in Korea showed the American public how negligent it was that the country was unprepared for attacks. And this truth is bound to form a leitmotif for getting ready for eventualities. Therefore there will be no let-off of preparations for purposes of defense. On the other hand, close observers opine that the pressure on stocking material will be lessened to a certain extent, because the armed services are showing willingness to delay deliveries of equipment in order to obtain more advanced models, brought out by constant research work. In close connection with such tendencies, assisted by psychological considerations, incentive for forward purchasing by manufacturers and the general public would be lessened, thus relieving some of the current shortages. Some commodities have, since the turn of events, gone down rapidly in America, especially cacao and rubber. The fear of inflation is there, but whether or not it will spread will depend upon proper management of credit, fiscal policies and debt management. Taken as a whole, readjustments springing from war demands cannot now create a business depression.

Outlook for Industries

The following remarks represent views of "United Business Service" regarding prospects for certain important industrial concerns:

Aircraft: Though the full effect of large government orders will be felt only next year, production and profits will expand during the fourth quarter of 1950.

Airlines: Constantly expanding civilian traffic, coupled with increased military transport, should improve earnings considerably.

Automobiles: Production is continuing on a record scale. It is unlikely that Government will curtail output this year. But supply of steel and labour shortage are likely to cause a slow-down. A record output for 1950 is expected, namely 7% to 8 million units, nearly 20% gain over 1949.

Military orders for trucks will increase. Higher wages and higher steel prices will reduce profit margins.

Building: A seasonal downturn of building activities will be caused by higher costs, credit curbs and material shortages. But construction for military purposes and also industrial enterprises will keep up in 1950. Full year volume of building for 1950 will be about two billion dollars above the 1949 total, namely 22.6 billions for last year.

Chemicals: Continued heavy demand for chemicals is assured by booming activities in paper, textiles, steel, etc. Upturn in farm income will assure further stimulus to sales of agricultural chemicals.

Non-Ferrous Metals: Demand will exceed output capacity. Stockpiling and defense requirements will reduce civilian supplies.

Paper: Full capacity production will continue this year. Order backlogs are enormous in volume, while higher costs are passed on to consumers.

Petroleum: Both, demand and production are continuing at record levels, and profit margins are favorable. Transportation difficulties are the great difficulty for oil consumers.

Radio-Television: Demand will be tempered by a new 10% tax on TV sets, entering into force on November 1. Large defense orders will detract from output for civilians. However, shortages of metals and key parts will be the main limiting factor this fall.

Rail Equipment: New orders for freight cars are rising rapidly. Production is to be stepped up from 5,200 to 10,000 a month by January. Top priority will be given on steel. High costs, however, will keep profit margins narrow.

Railroads: Freight traffic will show further advances; this will assist in offsetting higher labour costs and taxes. Government will continue to block railroad strikes.

Steel: Record production will maintain operations at full capacity. Labour is demanding increased pay of 10 to 15 cents an hour. Allocations may soon be imposed for defense requirements, though these will be low this year. Fourth quarter output should total 24 to 25 million tons. New full year record of 96 million tons is indicated, compared to 78 million tons for 1949.

Textiles: Strong consumer demand, coupled with augmentation of military orders, point to near capacity full operation of textile mills. Woollen mills and rayon factories also will operate at high levels. Higher cost of labour and of raw material will force up prices.

Inflation

President Truman has repeatedly emphasized the urgency of the need to prevent inflation, especially during the present critical state of affairs. Inflation is an invisible tax which hurts everyone. With spiraling prices a vicious circle is initiated which does harm to everybody, especially to older people who depend upon income from savings, pensions or from annuities. Today the purchasing power of the dollar has actually declined about 62%; the further fall would constitute a tragedy. Therefore the U.S. authorities are now trying hard to adopt a sound fiscal policy, so as to reduce the dangers of inflation.

The current situation in some ways is easier than what it was in world war II. On that occasion the military took over 50% of national production. Today America's productive capacity is greater than ever before and is still mounting. The country need not build new ships, since 2,200 of these are in mothballs. Neither is there the need that factories for manufacturing war material are now to be constructed; they are there from the last war. Without dislocating the country's economy materially America can now produce the needed material for armaments. Since it appears that the world will have to live in a state of uncertainty for a long time, the nation will have to live in a preparedness economy for years to come. Washington faces a serious responsibility in choosing the soundest policies out of the confusion of ideas. In preparing for military security the United States must not lose its freedom through mismanagement, nor its economic security through inflation.

The foregoing are the thoughts and deductions arrived at by Merrill Lynch, Pierce, Fenner and Beane, underwriters and distributors of Investment Securities, the largest stock-broker firm in America. In summing up, the said firm makes the following suggestions in connection with preventing inflation. It says and I quote verbatim:

"Several steps should be taken immediately:
1. Cut out all government expenditures not absolutely necessary. Purpose: Reduce deficit financing to a minimum—most important of all.

2. Cut out all public works not absolutely necessary. Purpose: Prevent unnecessary demands for materials and men at a time when there are not enough of either to go around; provide an "ace in the hole" if it is later necessary to stimulate the economy.

3. Use strict controls over consumer credit and real estate credit as the primary means of reducing current abnormal demands for autos, appliances and houses. Purpose: (a) Release materials and men for necessary armament work. (b) Stimulate saving to permit purchase of government securities by individuals. (c) Restore competition by getting abnormal demand in line with somewhat reduced supply.

4. Substitute a combination of normal and surtax rates for excess profits taxes, and complement such higher rates with renegotiation to take unreasonable profits out of rearmament. Balance renegotiation with production and cost incentives. Purpose: Although out ringing with the same political appeal as excess profits taxes, such an arrangement would retain incentives for corporate management to control costs and prevent waste and inflation.

SHANGHAI'S ECONOMIC RECOVERY

By Francis-Wu

The Communist take-over of Shanghai towards the end of May, 1949, naturally brought with it conjectures over the possibility of an impending radical change in the economic situation of the city. Shanghai's historical background and its ascendancy to the position of one of the few leading metropolises of the entire world all accentuated the extent of the foreign influence in the city, while the more recent rise of the new force of privileged interests (now dubbed as bureaucratic capitalists) was also carried to a stage of extensive development. In the circumstances, it was to be expected that among the city's industrial and business circles there could not but be general anxiety and apprehension as to whether or not the new authorities would put into execution drastic measures in dealing with the economic interests of the city, and there were even fears if private industry and trade would be allowed to continue at all.

Such fears were, however, very immediately dissipated. Of course, long before the Communists had reached Shanghai, and as their fast accelerating victories had put them in control of more and more cities from the north downwards, they had issued assurances that private economic interests would be fully respected, and that there would be still plenty scope of development for such interests under the system of New Democracy which was to be introduced into the country as the transitional step towards the full realization of Socialism, which might take years and years to achieve.

But it was not so much due to such announcements of policy rather than to the actual deeds carried out by the new authorities that put Shanghai's economic world generally at ease right after the change of government. For in Shanghai more than in any other part of the country, the realistic approach to problems, particularly those economic, of the Communist leaders was fully brought into play. Perhaps

there was some truth in the claim that the economic importance of Shanghai, and the huge stake involved, had cast their influence on the attitude and policies taken, but it remained a fact that the greatest care and the most competent personnel had not been spared to enable the economic life of Shanghai to continue with as little interruption as possible because of the change of authority.

The Communist Army completed the occupation of Shanghai on May 27, 1949. Some time was necessarily taken up with the liquidation of the old administrative machinery and the full establishment of the new. But by mid-June, the Shanghai authorities had already issued, for enforcement, a fairly complete set of regulations relative to the operation of foreign trade, finance, and shipping which made it possible for the economic life of the city as a whole to be carried on more or less as usual, and whatever restrictions there were introduced were not in any way very exacting, and consisted of provisions of official control and restriction of exchange and foreign trade as would be reasonably expected. The exchange rates announced were also fairly realistic.

There was general satisfaction over this development, and business and industrial circles were generally gearing themselves for the resumption of operations, with optimistic views of greater prosperity ahead. Cables were busy, and vessels were returning to the port. And it was precisely at this moment when hopes were running high that trouble came from the quarter least expected. The Nationalist blockade of the China coast in general, and the port of Shanghai in particular, was at first under-rated and even ignored. It was considered merely a "face-saving" gesture. But as time went on, the effectiveness of this blockade grew in direct proportion to the mounting defeats of the Nationalist Army on the mainland. Shipping in Shanghai was virtually suspended, and with it the paralysis of trade, foreign trade at least, and stagnation of industry.

It was a period of despondency for Shanghai's industrial and business world. There was an official call, issued through the conference of public representatives of the city as early as in March, for the launching of a counter-blockade. Some foreign trade was successfully handled via Tientsin, and later Tsingtao. Markets in the interior were to be developed, industrialists were advised. A suggestion was made to factories to move their plants to other parts of the country, with more ready access to raw materials or markets. Quite a number of plants, including chemical works, cigarette factories, and cotton mills, did move from Shanghai and neighbouring areas to northern points, including Manchuria and Honan province especially, though the movement was not sufficiently developed to produce any lasting effects on the economic situation in Shanghai.

Nevertheless, there was about this time a genuine feeling among certain quarters that the authorities were perhaps abandoning Shanghai insofar as its role as the nation's economic centre was concerned. For had not the abnormal development and prosperity of the metropolis in the past, developed under foreign influence and working to serve foreign interests, been time and again driven home to the populace? It was feared, therefore, that the authorities were not much concerned over the economic deterioration of the city, and that unless industrialists took to moving their plants elsewhere, there would have been no future for them in Shanghai. But the thing was easier said than done.

There were other troubles, too, in store for the industrial and business world in Shanghai. Especially in the early days after the liberation of the city, the labour issue was a very delicate one in view of the fact that the working class, which was now upheld by the Communist authorities as the leading stratum of the new social order, was prone to make too much out of their new-found status and position, and often imposed such demands on capital, which might have been justifiable in the interests of the workers under normal conditions, but proved genuinely beyond the capacity of the managements in the special trying circumstances of the depression.

It was a period of despondency for Shanghai's economic world. The more optimistic looked forward to an early turn of the situation, particularly the lifting of the blockade which they felt could surely not be sustained with the growing defeats of the Nationalist Army which was being rapidly driven out of the mainland. There were on the other hand those pessimists who saw absolutely no future in store for them, and were resigned to drifting along as best they could. On the whole, it was a period during which the majority just waited and saw, drawing on whatever reserves they had, and introducing whatever economy they could.

Meantime, though the situation relative to currency inflation which had been carried to such fantastic proportions in the last days of the Nationalist Government control of the country was to a great extent stopped by the new administration, currency inflation was still evident, and though the Communist authorities with their characteristic frankness admitted that the continued prosecution of the war necessitated their reliance on the increase of currency issue to cover in part at least the budgetary deficit, it did not help matters when prices kept on soaring, with Shanghai, as usual taking the lead and earning, rightly or wrongly, the curse of the whole nation.

The approach of the new year, 1950, brought with it more troubles, to the economic world in the whole country in general, but to Shanghai in particular. The new Government, following military successes which ensured its full control of the Continent, took a bold and revolutionary (and subsequently fully justified) step in the resolute stoppage of inflation, and intro-

5. Use price controls and wage controls later (a) if the above measures fail after an honest effort, and (b) if we step up armament production beyond that now estimated. There should be no piecemeal price controls, and price controls should be tied in directly with wage controls right from the start.

6. Raise personal income tax rates. Purpose: (a) To help defray armament expenditures and reduce need for deficit financing. (b) Siphon off purchasing power in the hands of individuals. (c) Reduce the demand for commodities in short supply.

A great deal of this program either has been recommended by the President or is underway in Congress. There are many decisions to be made to round out the program for a preparedness economy, however, and future actions still hold the key to whether we will profit by the mistakes made in the last war.

As in any national emergency, large or small, hysteria and confusion can do untold harm to our economy. Our duty, then, as good Americans, is to reach conclusions regarding these matters which are vital to the welfare of the country and—more important—to express our opinions to our representatives in government.

A healthy economy is as important today as military strength."

duced instead the policy of deflation. It decided, as the major measure to reduce the amount of currency in circulation, to float a Victory Bond issue, the major portion of which was allotted to Shanghai city for subscription chiefly among the industrial and business circles, who were called upon to take up (for the first stage of the issuance only) a total of 35,000,000 parity units, a unit being approximately equivalent to the United States dollar. The collection of taxes was also speeded up. These two measures necessarily brought untold hardship on industry and commerce, suffering as they were so seriously from the blockade, labour trouble and general depression.

Adding coal to the fire, the Nationalists augmented their effective blockade by the carrying out of extensive bombings of the ports on the mainland, with Shanghai bearing the brunt of all attacks. The "great bombing" of Shanghai on February 6, 1950, is still remembered with awe. It paralysed the city's power supply and greatly demoralized industry and trade. The damage to the power service was not fully restored until months afterwards.

All these factors contributed to the increasing gravity of the economic deterioration of Shanghai, the situation reaching its most serious stage in the months of March and April, 1950. This period was marked by the sudden universal increase of failures of business houses, suspension of factories, bringing with them huge unemployment. The following figures give the situation relative to unemployment in the most seriously affected trades in the city during the period:—

Unemployment in Shanghai during
March-April, 1950

Trade	Total Workers	Un- employed	Per- centage
Construction ...	50,000	21,227	42.4 %
Wharf Workers ...	32,000	19,200	60.00 %
Handicraftsmen ...	20,673	15,193	73.7 %
Seamen ...	41,500	8,000	19.2 %
Banking ...	25,768	2,600	11.2 %
Import & Export Trade ...	13,000	3,830	16.2 %
Clothing Industry	15,418	858	5.5 %

These figures, of course, related only to reported unemployment, there having been organized unemployment relief for the city. The total of unemployed workers, according to published sources, aggregated 250,000 in Shanghai.

Meanwhile, the Government's deflation policy had been attended with success, perhaps to a greater degree than expected. Aided by a further official measure for the centralization of financial administrative measures throughout the country, prices began to drop and hoarders began to release their stocks which accentuated the decline of prices to below their proper levels. While the long range effect of such a development, which brought with it the automatic stabilization of the nation's currency, was no doubt most desirable, yet the immediate effects on economy, and industrialists and business men particularly, were the further aggravation of their difficulties. The situation tended to grow more and more serious the other way round that steps had to

be taken, and were taken, to stop further drops of commodity prices.

However, with the passage of April, 1950, the deterioration of Shanghai's economy was arrested, and the drift began to change toward improvement. Many factors contributed to the changed course of development, but foremost among them was certainly the action taken by the Government on the "adjustment" of industrial and commercial enterprises in the country, as well as the "adjustment" of public-private relations in the economic world. The first part of these measures call for existing industrial and commercial undertakings to undertake a thorough review of their business activities to see whether or not their products are needed in the changed situation of the nation with the introduction of the new economy, as well as to whether or not their production and management methods are in keeping with market needs. Thus many undertakings, including those catering to the luxurious needs of the minority of privileged classes or to the superstitious practices of the ignorant, were advised to change their trades. Gradual planning of production, with the slogan of "adjusting production to demand" was also advocated, and in some cases carried out under official sponsorship. The results of this phase of "adjustment" are however still not very marked.

In the field of the "adjustment" of public-private relations, however, very considerable achievements had been made which went a long way towards the economic rehabilitation of Shanghai. Timely corrections were made of the initial tendencies on the part of State agencies to encroach too greatly upon the operations of private enterprises to the disadvantage of the latter. State owned industrial undertakings were required to pay the same taxes as applied to private plants.

But the most important contribution towards economic recovery was the aid given by the assistance of the State to private undertakings, principally in loans issued by the People's Bank and in orders placed for reprocessing jobs and purchases of finished products by the State owned agencies with private factories. This work had already been carried out since the beginning of the year, but was greatly intensified as time went on. By the end of April, 1950, the People's Bank and private banks in Shanghai had issued a total of JMP\$253,000,000,000 to private industry and trade (with the People's Bank later underwriting much of the original loans issued by private banks). After April, the People's Bank increased its loan facilities to private industries and commercial undertakings, though no figures have as yet been available.

In the placing of orders for reprocessing jobs with private factories, the most important instance was the supply of cotton by the State owned China Cotton, Yarn and Cloth Company for spinning by private mills. Up to the end of April, 1950, a total of 151,000 piculs of raw cotton had been turned over by the State company to private mills, accounting approximately for the operation of 67 per cent of the city's

spindles worked. By the end of June, the aggregate quantity of cotton handled by private mills on behalf of the State company was 240,226 piculs. The State company reported an average loss of 32 catties of cotton for each bale of yarn produced. Orders for weaving and dyeing with yarn or cloth supplied by the State Company were also considerable, aggregating, up to the end of April, 1950, 710,000 bolts of cloth woven for the State Company, and accounting for about 30 per cent of the total production of the weaving industry (private).

There were also orders placed without supply of raw materials and outright purchases of stocks held by private enterprises. The State owned China Miscellaneous Products (Consumer Goods) Company in April, 1950, placed orders with Shanghai manufacturers to the value of JMP\$58,600,000,000 and in May the Company purchased from manufacturers finished products to the value of JMP\$100,000,000,000.

Shanghai's industrial enterprises, furthermore, received orders from State agencies in other parts of the country, including the Northeast (Manchuria), North China, Northwestern China, Central-South China, for such products as rubber goods, enamelware, and construction materials.

Mention must also be made of the distinct improvement in the labour situation. The workers had been made to see increasingly the need for greater cooperation with the factory and business operators, and there was a tendency on the part of the authorities to side more with managements in the cases, rapidly diminishing, of labour disputes, the workers being called upon to manifest their sense of responsibility as the "master class" of the nation. Very important developments in this connection were the growing conclusion of collective labour agreements between the relevant trade unions and the industrial or commercial guilds, having collective application on all in the separate industries, and greatly contributing to the standardization of management-labour relations. There have also been created in increasing numbers the various "management-labour" consultative committees on the basis of an industry or a plant, so that disputes are in the first place dealt with through mutual consultation before the need for official mediation or arbitration.

The Communist liberation of the Chusan Islands in the middle of May, thus for practical purposes ending the Nationalist blockade also served as a great incentive to increase zeal among Shanghai's industrial and trade circles for more positive operations though the repercussions of this development have as yet to be fully felt.

The definite turn for the better in the economic situation of Shanghai, since the end of April, 1950, is best illustrated by the following statistical data which have been made available recently on the numbers of new establishments, resumption of previously closed establishments, and newly sus-

pended establishments in Shanghai on a monthly basis since the beginning of the current year:—

**MONTHLY RECORD OF NUMBERS OF
COMMERCIAL & INDUSTRIAL
ESTABLISHMENTS**

Month	Newly Es- tablished	Resump- tions	Suspen- tions
I Industrial Establishments			
January	70	2	159
February	28	3	161
March	22	1	243
April	14	5	389
May	21	3	502
June	37	29	158
July	105	87	50
August	373	93	62
Sept. (1st half)	196	60	36
II Commercial Establishments			
January	1,075	3	363
February	255	4	349
March	203	3	796
April	57	11	1,567
May	72	22	2,947
June	196	142	780
July	405	142	223
August	786	115	235
Sept. (1st half)	418	57	125

The improvement of the economic situation began in May, as stated. It was only natural that the changed situation must be allowed to settle down fully before universal reaction would set in, fully revealed in the above figures which indicated that with the advent of July, the numbers of new establishments and old ones resuming operations greatly exceeded those which closed down.

Numbers of factories in operation in the major industrial classes in Shanghai, available only up to the end of June, were as follows:

**Factories in the Major Industrial
Classes Operating at End of
June 1950**

Cotton Mills and Weaving Works	248
Woolen Mills	45
Paper Works	27
Underwear Factories	135
Soap and Candle Factories	37
Printing Ink Factories	47
Shirtnakers	73
Iron Foundries	31
Textile Machinery and Tools	49
Rubber Factories	15
Needle Factories	33
Bicycle (& Accessories) Factories	155
Enamelware Factories	13
Paint Factories	34

(No definite figures of plants in operation available for cement, chemical industries, and plastic industries)

Industrial power consumption, meanwhile, has resumed to more than 80 per cent of the normal level previous to the February 6, 1950 great bombings.

In the commercial field, a great increase in turnover was reported among the city's leading department stores, namely Wing On, Sincere, the Sun, Sun Sun, Lai Wah, and China Products. In April, 1950, the average aggregate daily takings of these stores amounted to JMP\$191,820,000. By July the daily turnover was increased to JMP\$359,697,000.

The growing volume of trade between the city and the rural areas in its vicinity has been marked by the increased arrival of rice and other shipments in Shanghai. In the early part of July, daily rice shipments arriving Shanghai averaged 5,600 piculs, which represented an increase of more than 200 per cent compared with

REVIEW OF JAPAN'S ECONOMIC CONDITIONS IN THE FIRST HALF OF 1950

Industrial activity and production during the first half of 1950 established new highs in the continuing upward curve of Japan's economy. Record figures, even as compared with the period 1932 to 1936, which are considered the normal prewar years, were established in many fields, notably coal production, heavy chemicals, and ceramics, as well as in the output of hydroelectric power. Significant achievements also were attained in agriculture, with a high level of productivity and continued implementation of the land-reform program. Aquatic production was high, a condition that brought about sharp drops in the prices of essential marine products and permitted increased exports of seafood and various types of canned fish. By the end of the period business activity was good and consumer spending reached new highs as prices became stabilized.

April figures. Cotton yarn and cloth shipments taken out of the city in June totalled 13,300 bales of yarn and 140,200 bolts of cloth, approximately four times those taken out in May. The value of consumer goods taken out of Shanghai for the rural districts in June was estimated at JMP\$96,200,000,000.

The increase in the volume of freight also bears out the vast improvement in the situation relating to the interflow of supplies. During the second week in July, goods arriving by train at Shanghai amounted to 64,171 tons, while goods taken out amounted to 11,371 tons, registering an increase of 23 per cent over the weekly average obtaining in May. Goods arriving by ship in the first week of July amounted to 50,025 tons and those taken out amounted to 22,529 tons, registering an increase of 140 per cent over the weekly averages in June.

The general improvement in the economic situation is further reflected in the great decrease of overdue loans issued by the banks. To take the example of the first joint operation banking group formed by the Sin' Hua, Ningpo Commercial, China Industrial, and the China Commercial Banks in Shanghai, overdue loans at the end of May amounted to JMP\$36,100,000,000, but by the end of June they were reduced to JMP\$27,800,000,000. The business of banks also improved with the general situation, all outstanding loans issued by the banking industry in Shanghai, both public and private members included, amounting at the end of June to JMP\$474,800,000,000.

But the improvement has been tempered with limitations, and a warning for caution has been issued. Some industries, particularly cigarette and match manufacturing, have again felt a surplus of stocks due to greatly increased activities in the recent months.

Japan's import and export trade reached new highs. A monthly export volume averaging more than US\$50,000,000 was attained. This sum represented a considerable gain over 1949 figures, although it still fell short of both prewar levels and the export volume which Japan may attain in the not too distant future. The outbreak of hostilities in Korea had begun to have its effect on Japan's heavy industry, and it was reported that the availability of heavy machinery and equipment for export to other areas might be reduced substantially within the next few months.

Industrial Production

The first 6 months of 1950 were characterized by another upward swing in Japan's industrial production curve which had previously established a post war high of 100.5 in December 1949 (1932-1936=100). The industrial-

The rubber industry went through a period of greatly extended operations due to the receipt of large orders from Government agencies, and when the orders were fulfilled by the end of June, and new ones not yet received, production again shrank.

The authorities have taken steps to correct certain marked deviations on the part of industry and trade in Shanghai in such measures as blind production, blind opening of new establishments, and the resurgence of certain speculative operations. These operations had led to an abnormal rise in the prices of certain commodities, particularly industrial raw materials and hardware, in June and early July, but the measures at their regulation by State agencies had immediately put the situation under control.

On the whole, however, there is now definitely an optimistic outlook for Shanghai's economic future. This is further attested by several recent examples of commercial funds in to the city being re-directed to industrial uses. Up to early September, no less than 27 cases have been reported of considerable sums formerly used for the operation of trading establishments being turned into investments in industrial plants. The most significant instance was that of the Jen Hua Development Corporation, one of the leading Shanghai houses engaged in the importation of dyestuffs and other chemicals, which transferred, with the approval of the authorities, all its available capital amount of JMP\$1,400,000,000 for investment in a newly organized industrial chemical works bearing its own name. There have also been numerous cases of cloth firms transferring large amounts of commercial funds for investments in knitting factories. The tendency is being encouraged by the Government.

activity index fell to 96.2 in January, because of the usual seasonal slack, but by June 1950 had risen to 109.6, setting a new postwar record. Industrial production, that is, mining and manufacturing, attained during June approximately 94 percent of the pre-war average, also a new postwar record.

Japanese industrialists believe that the rising production curve will not level off in the near future but rather that substantial increases can be expected in the remainder of the year. The increase in production is attributed to such factors as the continued rationalization of industrial enterprises, abolition of unprofitable branches, and the paring of disproportionate overhead expenses, particularly in management and administrative personnel, as well as to the greatly increased efficiency of factory workers. Increased availabilities of imported raw materials and electric power, output of which reached an all-time high in May, accelerated the rise in production.

Final reports on the output of iron and steel production in May, the latest month for which figures are available, indicate postwar records of 200,234 metric tons of pig iron, 413,894 metric tons of steel ingots, 238,442 metric tons of rolled steel. Increasingly efficient plant output, expanding operations in various plants, and the availability of hydroelectric power stimulated the increase in production. Pig-iron production in the first 6 months of 1950 is estimated at well over the 1,000,000-metric-ton mark. This production was attained despite the large labour strikes and work stoppages which cut production sharply in February. The production of steel ingots and castings during the first 5 months of 1950 reached a total of 1,818,522 metric tons, according to preliminary reports, as compared with 1,137,859 metric tons for the like period of 1949.

The heavy-chemical field also was marked by increasingly high production. Ammonium-sulfate production, at 150,000 tons in May, was a postwar high, and almost reached the industry's rated capacity. New plant construction and expansion of present facilities were under way to increase output by about 35 percent in the near future: Urea fertilizer was produced at the rate of about 1,700 metric tons monthly by one plant operating at full capacity. It is expected, however, that four additional plants will soon be completed and that they will raise Japan's output of urea fertilizer to about 5,000 metric tons monthly. Calcium-superphosphate production, which fell off to some extent during the early part of 1950, because of a temporary shortage of imported phosphate rock, later attained a level of more than 120,000 metric tons monthly, compared with the 1949 monthly average of 96,000 metric tons.

The output of textile machinery of various kinds likewise was at a high level, surpassing domestic requirements and greatly increasing the export

availability. The manufacture of ceramics rose throughout the period under review and accounted for a growing share of the export trade. The output of oils and fats, which had previously been at a low level, increased in April for the fourth consecutive month. Developments in the synthetic resins and plastics field were highly satisfactory, important increases having been made in the output of urea and phenol resins and vinyl acetate monomer. Celluloid, lacquers, and photographic film were produced in increasing quantities. The coal-tar by-products industry also increased its output considerably over earlier levels, particularly dyestuffs, and for the first time since the end of the war, dye swatch catalogs were prepared. Sheet-glass production, with eight continuous furnaces in operation, was at a high level, but exports fell off, because of growing foreign competition in the first 6 months of 1950.

Paper and pulp output reached a postwar peak in May — 63,977 short tons of pulp and 75,604 tons of paper. It was reported that although there was an adequate supply of ground wood pulp, paper production during the first 6 months of 1950 was only about 450,000 short tons.

The production of cotton textiles increased gradually. A total of 3,492,221 spindles were in operation in May, the highest number active since the end of the war. The textile industry reported that it would be in a position by the end of 1950 to utilize fully 4,000,000 spindles, and obtained SCAP approval to expand its capacity beyond this limitation. It was reported, therefore, that the industry plans the installation of an additional 800,000 spindles in 1951. Increased spindleage would permit a greater export volume, according to textile manufacturers, as well as an increase in the present domestic cotton-goods ration.

Steady operations and increased spindleage raised the cotton-yarn output in May to 39,400,000 pounds, as compared with the 1949 monthly average of 28,900,000 pounds. Cotton fabrics produced in April amounted to 123,200,000 square yards; exports were increasingly high, and there were indications that the newly revised export target for 1950 of 1,000,000,000 square yards would be reached. January-May exports were 357,900,000 yards, almost 9 percent more than in the first 5 months of 1949, and additional large orders from Southeast Asian markets, which at present absorb about 80 percent of Japan's cotton exports, are expected to boost shipments substantially within the next few months.

Raw silk, as well as spun-silk yarn, decreased in production from earlier levels, although silk merchants believe that the total 1950 raw-silk output will reach between 150,000 and 180,000 bales of 132 pounds each and thus equal or possibly surpass the 1949 production. Woolen and worsted-yarn production increased from 3,500,000 pounds in January to 5,000,000 pounds in May. The May production level was

considered of particular significance because the industry was only then beginning to convert to heavyweight output from its summer-weight production schedule. The Ministry of International Trade and Industry reported that the rising production tempo, as well as the increase in raw-wool imports which are expected to meet all domestic demands during 1950, may bring about sharp declines in woolen goods and yarn prices within the next few months.

Rayon-fabric production reached 52,200,000 square yards in May, a considerable increase over previous months. Output of all synthetic fibers was at a high level, the April figure having been 24,500,000 pounds, slightly more than in the preceding month. A high production was attained in viscose staple fiber, of which 10,900,000 pounds was produced in April, and in viscose filament, 7,000,000 pounds of the latter having been produced in the same month. The output of cuprammonium and acetate filaments, although in considerably smaller amounts than the principal synthetics, was of increasing importance to the textile industry.

Agriculture and Fishing

The first 6 months of 1950 brought a considerable change in the relative economic position of the Japanese farmer and in his attitude toward current political and economic issues. In January, strong protests were made against an amendment to the food-collection law which authorized the Government summarily to increase quotas at harvest time if crop prospects showed improvements. In later months the situation was practically reversed, growing concern being expressed by Japanese officials and in the press over a widely prophesied agricultural slump, which was considered imminent because of the increased availability of food from both domestic and foreign sources. This increase in food supply, together with the effects of the economic-stabilization program, caused a sharp decline in the black-market prices of staple foods and aroused fears that a glut of cheaper foreign food imports would depress prices below the indigenous cost of production. These fears led to a sharp reversal of former opinion from a de-control psychology to a desire that Government pricing controls and purchase programs be continued indefinitely as a price-support mechanism, sheltering them from the rigors and uncertainties of a free market.

All price and distribution controls were removed on fish and marine products, the fish catch during the period under review having become so abundant that free prices fell as low as 20 per cent below official price levels. The increase in production was attained by improved fishing techniques, a more efficient utilization of the catch, and by the mounting availability of rope and fuel.

Mining, Shipbuilding, and Power

Coal production during the period under review averaged almost 3,200,000 tons monthly, about the same as the 1949 monthly average. Government agencies believed, however, that production had not necessarily become stabilized at the 3,200,000-ton level, but rather that the output might well rise significantly in the near future. It was reported also that the quality of Japanese coal had improved in recent months.

Despite efforts to increase the production of domestic zinc ore, production reached only 3,820 metric tons in May, still short of domestic demand. Lead output, linked with zinc production, was greater than the effective demand, and surplus inventories were held during the period under review. Efforts also were made to increase copper-ore output, which reached 3,400 metric tons in May, against a consumption rate which had increased to about 7,500 metric tons monthly. Brass- and copper-scrap piles, which had supplied about 50 per cent of Japan's refined-copper production since the end of the war, were found to be growing short. Work was begun, therefore, to develop new copper mines in northern Japan, although continued consideration was given the available sources of imported ore concentrates, as well as the possibility of large-scale scrap imports. Total refined copper production in 1949 was 74,036 metric tons, but the Japanese Government believed that an increase of about 10 per cent might be effected during 1950. This production reportedly would still be almost 10,000 tons short of current consumption, and active work was begun on the leaching of old mines.

Crude-oil production totalled 26,728 kiloliters in May, as compared with 18,000 kiloliters established as the monthly average during 1949, and continued development and exploration was expected to effect an equivalent increase during the present year. Crude-oil production fell far short of Japan's needs and accounted for only about 10 per cent of the country's actual requirements. Seven refineries were in operation in the oil-producing area, with seven additional refineries on the Pacific coast processing imported crude oil. The output of finished products mounted steadily each month from the 1949 monthly average of 16,213 kiloliters until May 1950, when a total of 152,013 kiloliters was reached, according to preliminary reports. It was expected that output would continue to rise steadily provided Japan succeeded in procuring additional crude-oil imports under its trade agreements with other countries.

Electric-power output increased substantially over previous levels during the first 6 months of 1950, a situation attributable mainly to favorable stream-flow conditions and increased seasonal rainfall. Average monthly output at 3,200,000 kw.-hr. was one of the leading factors contributing to the upward curve in industrial activity and production.

Japanese shipyards were extremely active, a number of large freighters having been completed for foreign buyers, principally for Danish, Norwegian, French, and Philippine shipping interests. Activity showed no signs of abating, inasmuch as there was reportedly a large backlog of foreign orders, principally for small ocean-going cargo vessels and oil tankers. It was reported, however, that no new orders had been placed by foreign shipping firms, particularly as regards larger vessels, because of increasing competition from European shipyards. Japanese yards declared they were no longer in a position to attract the export market as easily as heretofore because rising steel costs had resulted in ship-construction cost per ton about equal to European quotations.

Finance

In the closing months of the 1949-50 Japanese fiscal year, which ended on March 31, the average businessman complained of an alleged tight money situation, aggravated by the heavy tax collections in February and March, and a contraction in consumer spending which was even greater than the normal seasonal slack. The 1950-51 fiscal year, however, was marked by continuing increases in industrial production, and a general upswing in business activity and consumer spending, which soon dispelled the slump psychology of previous months. The national budget for the fiscal year beginning on April 1, 1950, is Japan's second balanced budget in 20 years.

It was reported that by March 31, 1950, Counterpart Fund loans to private enterprise amounted to 24,600,000,000 yen. Small enterprises received assistance to the extent of about 300,000,000 yen from Counterpart Fund releases during the January-March quarter, and another 400,000,000 to 450,000,000 yen during the 3-month period ended on June 30. Government deposits, which had been held in the Bank of Japan, were transferred to various commercial banks and credit organizations during the period under review, with a view to facilitating the financing of smaller enterprises.

The Government enacted a law to encourage foreign capital investment in Japan which provides for the licensing of foreign enterprises and investments contributing to the national economy, either internally or through increased international trade. The Government revised its taxation system, which, among other things, provides for tax exemption to certain categories of foreign nationals in order to encourage foreign investment.

Business Conditions and Prices

Private enterprise, which had been dependent on Government loans to a large extent, found that Government assistance in rehabilitation financing was not designed to cover expansion needs. For the latter supplemental aid, it was found that private enterprise must rely on the individual investor, and increasingly high dividend rates were being offered to attract operating capital. Some of the dividends offered were exaggeratedly high, often as much as 30 per cent, and had an adverse effect on the cautious investor market which was veering away from what it believed to be speculation toward more conservative investments. According to a Government source, investment activities during the fiscal year ended on March 31 totalled 101,000,000,000 yen, compared with 86,000,000,000 yen during the preceding fiscal year. The actual rate of investment activity, however, reportedly was about 5 per cent lower because of the rising rates in individual investment.

During the first few months of 1950 most prices continued the sharply descending curve which began during the latter part of 1949, but in May and June it appeared that the price curves had leveled off. Consumer prices, which had been dropping steadily, were maintained during May and June, and a few indexes, particularly that on food prices, showed a very slight increase. The increase in the latter was attributed to upward adjustments in the Government's official pricing on staple foodstuffs, but was compensated for, as regards the consumer, by corresponding decreases in black-market prices. The latter dropped sharply as a result of the increased availability of food through official ration channels, and a decreasing demand led to much smaller amounts of foodstuffs and commodities finding their way into the black market in May and June than in previous months. Wholesale prices also showed gradual declines during the period under review, and wholesale indexes apparently leveled off to some extent in May and June.

Employment and Labor

The manufacturing force in April, the latest month for which statistics are available, was estimated at 4,470,000, representing a slight decrease from previous months, but agricultural employment rose during the latter part of the period in accordance with the normal seasonal pattern. An increase in industrial unemployment was noted during the first 6 months of 1950, particularly in the heavy-chemical field, according to the Ministry of Labor, attributable to the cumulative effect of economic stabilization and rationalization programs.

Despite continued labor demands for increased pay, wages appeared to have become stabilized. The Japanese Government's Economic Stabilization Board pointed out that the leveling off of the wage spiral had definitely been attained during 1950. Real wages were reported to have increased, however, owing to the sharply descending curve in consumer prices.

Foreign Trade

Japan's foreign trade during the first 6 months of 1950 totalled about \$322,000,000 in exports and about \$454,000,000 in imports, according to preliminary figures. Of this total, United States Aid (GARIOA) shipments to Japan during the period under review are estimated at about \$200,000,000 worth of foodstuffs and raw materials, principally cotton and petroleum. Both SCAP and the Japanese Government made every effort, by means of continued negotiations with other trading countries, to increase the private imports of raw materials and foodstuffs, in implementation of the program of decreasing United States Aid shipments in proportion to the expansion of the commercial import trade in these commodities.

Trade agreements were concluded with the Philippines, with which a trade plan was established calling for \$25,000,000 in trade by value each way during the 1-year term of the agreement; with Burma, calling for \$24,672,000 of trade in each direction; with Hong Kong, at a level of \$35,000,000 each way; with Thailand at a level of \$45,000,000 each way; with Sweden at a level of \$9,225,000 each way; and with Pakistan, at a level of \$24,600,000 in each direction. During the month of June a trade agreement was negotiated between Indonesia and Japan, with the former scheduled to purchase \$44,400,000 worth of Japanese goods during the next 12 months, and to sell to Japan \$30,000,000 worth of commodities, principally crude rubber and copra, during the same period. As the period ended, a trade conference was under way between Sterling Area representatives and SCAP and Japanese Government officials, which was expected to result in an expansion in the trade level established during the 1-year agreement period scheduled to end on June 30, 1950, in which it was estimated that trade between the Sterling Area and Japan had reached the value of approximately \$400,000,000. This volume included trade in sterling with certain areas, such as Burma, Pakistan, and Iraq, which were not actual participants in the Sterling Area-Japan Trade Agreement. Other agreements with the Belgian Monetary Area and with France were extended beyond their normal 1-year term, and it was expected that new agreements would be negotiated with these countries within the next few months.

TAIWAN REPORT

Foreign Trade:—On September 6 the long-awaited Sino-Japanese trade agreement was signed at Tokyo by representatives of SCAP and the Chinese Nationalist Government. US\$50 million in barter exports and the same amount in barter imports are involved for the 1951 fiscal year. A more rapid development of Taiwan-Japanese barter trade is forecast.

August Trade Figures: The Bank of Taiwan reported that the equivalent of US\$6,034,209 was expended for imports in August (\$1.7 million over the July figure) while earnings from exports came to \$5,945,052 (about \$1.6 million under July) leaving an unfavourable balance of \$89,156.

Banking and Finance:—Provincial authorities announced on September 7 that actual government expenditures in 1949 amounted to NTY92,641,948 as against income of NTY105,407,838 leaving a surplus of NTY12,765,890. In preparing the new 1951 budget no new projects are contemplated except short-term investments with yields expected in 1951 while income from various taxes are to be increased.

Exchange Rates: The rate for US dollar notes dropped from NTY10.25 to NTY10.20 to 1. At the same time the official selling price for US dollar exchange certificates was lowered from NTY10.35 to NTY10.30 on September 5 and further declined to NTY10.25 to 1. Gold prices remained unchanged.

Industry:—Industrial Loans: The National Resources Commission's Taiwan Aluminum Corporation received an allocation of £40,000 for importing 10,000 tons of bauxite from Malaya for stockpiling. The Provincial Industries and Banking Subcommittee approved loans of

NTY587,700 to NRC's Taiwan Pulp and Paper Corporation to expand its bagasse pulp producing capacity to 10,000 metric tons per annum by the end of 1950. The same subcommittee also approved a loan of NTY500,000 to NRC's Taiwan Alkali Industries Corporation for additional installation of liquid soda producing equipment.

Transportation:—Shipping Companies Move to Taiwan: In response to a directive issued by the Ministry of Communications in August, the Fu Shing Navigation Company, China Navigation Company, Yi Hsiang Steamship Company, and several other shipping companies have moved from Hongkong to Taiwan. The Ministry also directed Chinese shipping companies in Hongkong that had placed part of their ships under foreign registration to return to Taiwan before October 10.

Commodity Prices:—No change was noted in most commodity prices. The price of rationed rice, however, advanced from NTY0.65 to NTY0.68 per catty.

Approximately 2,626,000 pounds of citronella oil are expected to be produced from 15,000 hectares in the Hsinchu area of Taiwan. It is estimated that this production will earn US\$3,600,000. (1 hectare equals 2.471 acres.)

Exports of essential oils to the United States from Taiwan in June 1950, consisted of 54,000 pounds of citronella oil to a value of \$65,704 and 5,250 pounds of camphor oil valued at \$5,081.

Floor prices for citronella oil for export to the United States were tentatively set in August at \$1.25 a pound c.i.f. Japan, or \$1.12 f.o.b. Keelung or Kaohsiung.

Japanese Economic Reports

Power Industry:—The Japanese Cabinet has approved a reorganization plan which may soon abolish the existing Government-controlled Japan Electric Power Co. and its various regional distributors, and permit the establishment of nine private enterprises each operating within one of nine regions throughout Japan. Reorganization plans were generally welcomed by the public in the hope that the large increase recently instituted in power rates may be withdrawn when private management takes over the industry. Domestic power bills have increased as much as tenfold within recent months and many small enterprises are reportedly using power tools only when absolutely necessary.

Hydroelectric generation in January, the latest month for which statistics are available, was estimated at 2,703,000 kilowatt-hours as compared with 2,814,000,000 kilowatt-hours in December 1949. Thermal-power generation of 351,000,000 kilowatt-hours was reported for January, a marked decrease from

431,000,000 kilowatt-hours for December. Output of manufactured gas in January was estimated at 100,900,000 cubic meters as compared with 97,300,000 cubic meters in the preceding month.

Fertilizers in Hokkaido:—Production of fertilizers in Hokkaido, Japan, increased considerably in the first 6 months of 1950 over that in the corresponding period of 1949. Output of urea almost doubled, as did that of ammonium sulfate; production of calcium cyanamide remained relatively stable. One plant on the island makes all the ammonium sulfate and urea. Production in the winter was curtailed by lack of electric power.

Potassium Iodide:—Production of potassium iodide in Japan was practically at a standstill until May 1950, when several large export orders brought a revival of the industry. In June two plants produced 3,600 kilograms, of which 3,400 were exported. Production in July was expected to be higher, inasmuch as additional export orders have been received.

HONGKONG BUILDING INDUSTRY

PLANS RECEIVED AND PLANS APPROVED BY THE BUILDING ORDINANCE OFFICE, 1950.

The following statistics relating to plans of buildings received and approved by the Building Ordinance Office of the Public Works Department afford some indication of the trend in intention to build or to renovate existing buildings. Owing to the fact, however, that building lots frequently change hands, and new plans may be submitted for approval by the new owners in the place of those already approved, the present figures do not afford a precise indication of actual progress in building. Statistics relating to actual completion of buildings are presented in the following tables:—

	Monthly Average 1948	Monthly Average 1949	Monthly Average Jan./June, 1950	August, 1950		Monthly Average 1948	Monthly Average 1949	Monthly Average Jan./June, 1950	August, 1950
Plans Received:					Plans Approved:				
European type houses ..	43	38	30	14	European type houses ..	45	43	30	19
Chinese type houses ...	93	62	79	15	Chinese type houses ...	77	70	83	40
Factories	4	3	2	5	Factories	3	2	2	1
Godowns	5	2	6	11	Schools	6	1	1	1
Temporary Sheds	4	4	5	4	Office Buildings	2	—	1	—
Houses for Repairs and Rehabilitation	30	18	13	8	Temporary Sheds	8	9	12	8
Houses for Alterations & Additions	212	241	428	319	Site Formation	3	6	4	4
Site Formation	4	6	25	6	Houses for Repairs and Rehabilitation	20	24	10	13
Churches	—	1	1	—	Houses for Alterations & Additions	538	560	525	381
Hotels	—	1	—	1	Godowns	3	6	3	4
Schools	5	1	1	—	Garages	2	2	1	—
Kiosk	5	—	—	1	Kiosk	—	1	—	—
Nissen Huts	2	1	2	—	Churches	—	1	—	—
Houses for Demolition ..	2	5	5	3	Houses for Demolition ..	3	7	7	2
Theatres	—	1	1	1	Advertising Hoarding ..	—	1	—	1
Film Studio	—	1	—	—	Block comprising 500 working class flats	—	1	—	—
Amusement Park	—	—	—	1	Theatres	—	—	—	—
Total Plans Received ...	402	384	588	389	Hotels	—	—	1	2
					Laan	—	—	1	—
					Service Station	—	—	1	—
					Bathing Pavilion	—	—	1	—
					Restaurant	—	—	—	1
					Total Plans Approved ..	708	734	692	478

Note:—Averages of less than .5 omitted from above table.

COST OF NEW BUILDING WORK COMPLETED IN THE CITY OF VICTORIA, JANUARY — AUGUST, 1950.

Factories and Godowns							Offices and Shops			Houses and Flats			Other (including mixed accommodation)			Total		
No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	
Building																		
under \$50,000 ..	2	12,800	2,000	1	46,580	1,000	100	3,020,072	94,846	22	426,718	44,573	125	3,506,170	142,419			
\$ 50,000—\$ 99,999	3	227,996	3,725	—	—	—	28	1,808,259	32,200	2	126,031	6,000	33	2,162,286	41,925			
\$100,000—\$199,999	—	—	—	—	—	—	5	609,711	3,700	4	578,000	15,000	9	1,196,711	18,700			
\$200,000—\$299,999	—	—	—	—	—	—	2	435,000	44,000	—	—	—	2	435,000	44,000			
\$300,000—\$499,999	—	—	—	—	—	—	1	360,000	65,000	1	254,502	1,423	2	714,502	66,423			
\$500,000—\$999,999	1	590,780	99,873	—	—	—	2	1,515,358	584,647	2	1,062,200	96,600	5	3,168,338	781,120			
\$1,000,000 & over	1	3,687,922	1,580	2	7,065,000	6,700	1	1,136,700	103,000	1	1,577,883	186,328	5	13,467,505	297,608			
Totals	7	4,519,496	107,178	3	7,111,580	7,700	139	8,885,100	927,393	32	4,134,334	349,924	181	24,650,512	1,392,195			

COST OF NEW BUILDING WORK COMPLETED IN HONGKONG ISLAND OUTSIDE CITY OF VICTORIA
JANUARY—AUGUST, 1950.

	Factories and Godowns			Offices and Shops			Houses and Flats			Other (including mixed accommodation)			Total		
	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work
Building															
under \$50,000 ..	7	127,255	7,296	—	—	—	54	1,861,902	72,994	18	276,467	1,245	79	2,265,624	81,535
\$ 50,000—\$ 99,999	4	224,250	3,528	—	—	—	46	3,669,499	518,770	8	552,981	35,822	58	4,446,730	558,120
\$100,000—\$199,999	5	636,676	6,500	—	—	—	35	5,461,605	804,200	1	144,568	6,340	41	6,282,849	817,040
\$200,000—\$299,999	1	235,000	16,000	—	—	—	5	1,287,880	188,797	1	283,026	136,923	7	1,805,906	341,720
\$300,000—\$499,999	—	—	—	—	—	—	2	717,546	59,424	2	900,000	55,000	4	1,617,546	114,424
\$500,000—\$999,999	—	—	—	—	—	—	1	601,461	36,533	1	563,000	—	2	1,164,461	36,533
\$1,000,000 & over	—	—	—	2	3,000,000	—	1	1,483,000	35,100	1	1,600,000	—	4	6,083,000	35,100
Totals	17	1,223,181	33,325	2	3,000,000	—	144	15,102,893	1,715,818	32	4,320,042	235,330	195	23,646,116	1,984,472

COST OF NEW BUILDING WORK COMPLETED IN KOWLOON AND NEW KOWLOON, JANUARY—AUGUST, 1950.

Factories and Godowns			Offices and Shops			Houses and Flats			Other (including mixed accommodation)			Total		
No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work	No.	Building	Site Work
Building														
.. under \$50,000 ..	22	358,116	14,930	6	44,800	—	197	6,119,046	199,018	49	622,571	60,054	274	7,144,533
.. \$ 50,000—\$ 99,999	4	283,650	736	1	53,750	—	58	3,806,844	167,343	6	398,183	39,233	69	4,542,427
.. \$100,000—\$199,999	4	571,163	8,893	—	—	—	28	3,877,349	158,608	14	1,836,025	1,318	46	6,286,537
.. \$200,000—\$299,999	2	536,082	12,002	—	—	—	4	852,188	136,551	—	—	—	6	1,388,280
.. \$300,000—\$399,999	3	1,091,438	750	—	—	—	1	333,248	—	1	430,000	62,900	5	1,854,686
.. \$500,000—\$999,999	2	1,118,199	222,920	—	—	—	1	500,000	40,000	1	530,000	1,453	4	2,148,199
.. \$1,000,000 & over	1	1,032,203	28,412	2	3,294,772	17,530	1	1,543,077	—	3	5,801,000	—	7	11,671,052
Totals	38	4,990,861	308,643	9	3,393,322	17,530	290	17,031,752	701,520	74	9,619,779	164,958	411	35,035,714

Hongkong Aviation Returns

for January-September 1950

	CIVIL AIRCRAFT		PASSENGERS		MAIL (Kilograms)		FREIGHT (Kilograms)	
	Arrivals	Departures	In	Out	In	Out	In	Out
Monthly averages for 1948	595	—	9,592	9,382	13,726¼	13,649¼	42,920	100,986
Monthly averages for 1949	1,062	1,057.5	12,246	13,312	13,842	14,576	237,690	272,656
1950:								
January	253	250	3,151	4,012	11,196	11,746	43,350	59,200
February	197	203	2,604	2,934	9,761	10,666	35,942	59,869
March	256	250	3,290	3,819	11,310	13,273	43,941	63,164
April	238	239	2,669	3,952	10,200	13,303	30,860	80,834
May	220	225	2,770	4,298	11,113	13,746	48,859	93,438
June	201	202	2,290	3,236	9,871	13,093	42,925	106,287
July	220	218	2,485	3,122	11,839	12,573	60,996	138,497
August	232	230	2,415	3,329	10,581	15,114	89,411	154,926
September	205	208	2,557	3,284	12,495	16,536	85,392	133,800
Totals	2,022	2,025	24,231	31,986	98,366	120,050	481,676	890,015

Total aircraft for Jan./Sept. 1950 in and out: 4,047; total passengers: 56,217; total mail: 218,416 kgs.; total freight: 1,371.7 metric tons.

KAI TAK EXTENSION PLANS

To meet the needs of modern aircraft and the operational requirements of the R.A.F. the main (Northwest—Southeast) runway of Kai Tak Airport is to be lengthened.

This necessitates the resumption of a piece of land to the Northwest of Clear Water Bay Road about 165 yards wide and 176 yards in depth.

The land is mainly agricultural but has about a dozen permanent dwellings on it. The Notice of Resumption is published in this week's Government Gazette and will be served on the individual lot-holders concerned in the course of the next few days. Altogether about thirty six separate lot-holders are involved.

Tenants are given one month's notice from the date of posting of the Resumption Notice. Compensation will be paid and the lot-holders are invited to nominate a member to serve on the Board of Arbitration which will determine the amount to be paid in compensation.

In the case of lot-holders of purely agricultural land it may be possible for Government to arrange alternative holdings.

In addition to these Crown tenants there are on the land a number of squatter families. Some of these are on a strip of land immediately to the north of the nullah bordering Clear Water Bay Road, which was resumed by the Crown in 1948. There are, however, several families who have built illegal dwellings on the agricultural land. All squatters are being notified that they must move from the area within the month.

Once the land has been resumed, the aerodrome runway will be continued right across Clear Water Bay Road into the cleared land. A concrete "bridge" seventy yards wide will be built to span the nullah.

For the time being traffic along Clear Water Bay Road will have to cross the extended runway. The crossing will be controlled by gates on either side of the runway, similar to the gates of a railway level crossing. Eventually it is hoped to divert the road so that it will pass right round the airfield extension, to the north of the runway.

Work on the runway extension has already started within the present bounds of the airfield. The sight of gangs of coolies working on the runway has been a commonplace to passers-by on the Clear Water Bay Road during the past few weeks.

The Kai Tak extension does not affect Government's plans for a new modern airport at Deep Bay. In any case the construction of a new airport would of necessity take several years. Meanwhile the present extension provides an immediate means of making the Kai Tak field more suitable for modern aviation needs.

Hongkong Aviation Report for September 1950.

	Passen- gers	Mail (Kgs.)	Freight (Kgs.)	Passen- gers	Mail (Kgs.)	Freight (Kgs.)
United Kingdom ...	87	5,343	6,635	122	3,990	5,088
Europe	10	165	8,308	122	132	824
Middle East	18	87	1,362	51	431	364
Calcutta	44	130	57	44	212	5,916
Rangoon	221	143	1	66	181	7,678
Singapore	206	2,773	7,447	263	1,784	20,480
Bangkok	486	537	14,394	366	254	9,441
French Indochina ..	679	400	5,071	494	2,566	3,479
Macao	2	—	—	2	—	—
Philippines	295	397	11,528	477	726	8,916
Japan	224	1,072	16,033	468	3,072	7,167
U.S.A.	12	—	10,371	193	1,819	7,840
Australia	15	65	558	90	228	1,743
China	241	1,301	3,282	342	813	53,512
Honolulu	13	—	77	74	68	1,205
Canada	4	82	268	110	260	147
	2,557	12,495	85,392	3,284	16,536	133,800

No. of Aircraft arriving: 205

No. of Aircraft departing: 208

HONGKONG'S IMPORTS & EXPORTS BY AIR

Following are statistics of Hongkong's imports and exports by air for August 1950 and monthly averages of the years 1948 and 1949 and the first half year of 1950.

VALUE OF IMPORTS OF AIR FREIGHT

Countries	Monthly Average 1948		Monthly Average 1949		Monthly Average Jan.-June 1950		August, 1950	
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom	882	215,272	1,381	400,263	1,058	284,808	2,960	377,378
Australia	17	709	51	5,162	307	8,522	45	1,549
Canada	61	46,058	299	245,395	550	390,048	621	499,504
Ceylon	63	19,181	2	2,032	—	—	—	—
East Africa	—	—	2	212	—	—	—	—
India	—	—	26	22,331	100	33,600	5	13,500
Pakistan	1	142	—	5	—	—	—	—
Malaya (British)	152	17,017	127	19,636	218	53,081	661	77,885
New Zealand	32	12,112	—	—	—	—	—	—
South Africa	—	—	53	375,089	—	—	—	—
West Africa	1	103,314	—	—	—	—	—	—
West Indies	4	301	—	—	—	—	—	—
British Commonwealth of Nations, Other	—	—	—	20	312	3,640	130	5,775
Austria	—	—	—	—	3	124	5	99
Belgium	—	337	30	103,080	22	1,667	—	—
Burma	5	57,847	12	108	—	—	199	8,429
Central America	—	—	—	75	—	—	—	—
China, North	7	473	26,748	366,966	—	—	—	—
" Middle	10	1,524	13	791	75	3,026	57	1,867
" South	4,024	37,731	98,215	560,764	398	10,650	—	—
Czechoslovakia	7	1,969	19	2,827	9	992	—	—
Denmark	16	2,422	8	765	23	1,798	—	—
Egypt	7	266	5	300	—	—	—	—
France	61	12,388	107	107,110	94	25,120	361	52,039
French Indochina	8	374	294	6,028	4	58	—	—
Germany	136	43,842	423	79,158	460	104,207	3,236	213,581
Holland	7	17,695	10	8,133	3	2,355	36	6,178
Italy	12	2,460	98	9,480	21	2,934	—	—
Japan	6	855	194	5,216	228	5,427	614	70,879
Korea South	—	—	—	—	5	2,363	—	—
Norway	176	6,341	6	1,876	—	—	—	—
Philippines	3,965	120,654	10,544	952,295	550	17,401	94	2,523
South America	10	1,363	1	278	5	2,009	—	—
Spain	—	—	10	2,604	—	—	—	—
Sweden	—	689	72	21,635	83	9,147	175	26,858
Switzerland	2,426	2,157,293	4,306	3,886,080	3,373	3,955,912	4,361	3,741,685
Thailand	76	22,521	1,190	43,928	119	10,689	83	12,451
U. S. A.	10,638	2,698,658	8,032	4,103,514	3,555	1,379,579	14,705	4,031,022
U. S. of Indonesia	—	—	3	222	—	—	—	—
All other countries	—	—	3	7,554	11	10,414	—	—
Total	22,794	5,601,607	152,264	11,340,932	11,594	6,259,591	28,348	9,143,200
Total British Commonwealth of Nations	1,193	414,106	1,941	1,070,145	2,545	713,699	4,422	975,591
Total Foreign	21,601	5,187,701	150,343	10,270,787	9,039	5,545,892	23,926	8,167,609

VALUE OF EXPORTS OF AIR FREIGHT

Countries	Monthly Average 1948		Monthly Average 1949		Monthly Average Jan.-June 1950		August, 1950	
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom	35	4,353	27	20,921	214	81,984	540	147,331
Australia	25	2,043	102	11,991	174	21,947	201	24,363
Canada	23	4,455	120	13,816	35	4,986	20	2,365
Ceylon	36	5,607	18	322	—	—	330	14,844
East Africa	—	—	8	683	34	1,654	—	—
India)	—	—	1,172	65,916	1,442	57,826	6,500	271,354
Pakistan)	1	1,225	—	—	—	—	—	—
Malaya (British)	42	13,990	1,944	73,721	1,898	75,709	2,156	77,107
New Zealand	210	148,071	1,280	1,062,556	3,191	2,913,058	4,059	3,474,597
North Borneo	1	75	—	644	—	27	—	—
South Africa	1	1,323	45	3,307	5	888	32	4,417
West Africa	18	2,780	22	14,466	8	2,640	—	—
West Indies	11	975	15	2,088	10	1,836	—	—
British Commonwealth of Nations, Other ..	100	6,766	46	1,199	34	2,382	—	—
Austria	—	—	—	6,212	7	1,790	7	5,212
Belgium	39	7,864	12	13	—	8	—	—
Burma	65	4,271	3,453	2,335	19	4,783	185	33,872
Central America	37	6,091	70	85,510	3,166	87,856	2,976	106,914
China, North	2,566	32,732	44,969	12,133	69	16,141	110	24,761
.. Middle	1,424	21,111	6,574	3,859,573	—	—	—	—
.. South	24,525	323,077	67,747	719,117	9,040	372,346	22,338	1,180,964
Czechoslovakia	—	—	—	7,273,187	3,653	65,753	—	—
Denmark	2	29	4	151	—	8	—	—
Egypt	70	4,925	71	615	155	28,155	2	1,200
France	8	2,216	22	7,692	145	9,173	122	20,920
French Indochina	362	7,764	824	14,966	46	7,801	33	35,152
Germany	12	92	3	14,725	953	26,675	3,716	116,117
Holland	4	13,982	7	382	39	6,404	55	13,056
Iran	—	—	2	25,908	46	30,329	54	11,050
Iraq	4	309	—	136	—	—	—	—
Italy	3	148	3	—	30	4,586	—	—
Japan	50	4,047	439	259	1,143	360,511	5,465	209,022
Korea South	—	14	370	23,475	294	46,765	—	—
Macao	—	—	1	10	—	—	—	—
Norway	3	421	7	583	23	1,436	25	3,610
Philippines	2,861	23,129	1,243	18,617	1,865	25,064	7,858	49,552
Portugal	—	—	6	1,069	1	270	—	—
Portuguese East Africa	—	—	1	31	1	50	—	—
South America	23	3,221	73	10,224	90	16,160	223	22,123
Sweden	—	—	1	109	48	5,015	—	—
Switzerland	115	19,508	18	4,894	154	17,618	64	7,692
Thailand	5,744	296,337	3,156	180,228	4,149	182,294	8,159	621,337
Turkey	13	725	1	221	—	—	—	—
U. S. A.	2,131	279,964	1,904	391,768	2,393	535,478	6,239	2,128,018
U. S. of Indonesia	15	2,050	39	8,164	13	4,224	113	20,719
All other countries	32	1,228	35	37,510	273	22,188	69	4,963
Total	40,611	1,246,960	135,855	14,031,049	34,860	5,043,618	71,631	8,632,632
Total British Commonwealth of Nations ..	503	191,705	4,800	1,277,845	7,052	3,166,527	13,845	4,021,580
Total Foreign	40,108	1,055,255	131,055	12,753,204	27,808	1,877,091	57,786	4,611,042

Some printing errors in the HK Shipping Returns for March, April and May 1950 shown in the "Far Eastern Economic Review" of Sept. 14 (No. 11, page 317) are corrected in the tables below:

Hongkong Shipping Returns

For January - September, 1950.

	Ocean Steamers Tonnage		River Steamers Tonnage		Ocean Passengers		River Passengers	
	In	Out	In	Out	In	Out	In	Out
Monthly averages 1948	659,582	651,394	122,834	123,338	23,583	19,547	37,529	29,769
" " 1949	824,239	828,696	163,345	168,147	21,952	21,564	48,496	52,620
1950								
January	831,555	788,243	218,465	215,032	8,247	10,484	50,567	47,990
February	718,120	754,561	195,137	195,883	6,291	8,570	38,690	44,919
March	775,341	776,536	237,582	238,504	7,964	16,408	66,125	50,015
April	794,740	822,546	204,580	206,368	5,408	8,130	78,176	61,298
May	894,312	855,552	252,398	247,517	4,247	7,403	57,168	60,491
June	796,902	833,941	197,655	196,611	4,778	7,570	52,673	53,501
July	739,200	699,945	210,817	210,087	3,631	7,272	63,514	76,022
August	735,225	784,530	208,036	209,967	2,354	6,321	90,460	100,787
September	695,411	742,329	239,774	239,599	5,654	6,817	79,581	91,256
Jan./Sept.	6,980,806	7,058,183	1,964,444	1,959,569	48,574	78,975	576,954	586,279

Total ocean steamer tonnage for Jan./Sept. 1950: 14,038,989 tons; total river tonnage: 3,924,013 tons; grand total: 17,963,002 tons.

Total ocean passengers: 127,549; total river passengers: 1,163,233; grand total: 1,290,782.

Hongkong Shipping Report for September 1950

Ocean Steamers

Arrivals

Departures

Flag	Ocean Steamers				Ocean Steamers			
	No.	Tonnage	Cargo	Passengers	No.	Tonnage	Cargo	Passengers
British	113	268,327	99,857	4,427	114	277,817	82,823	4,079
American	28	116,613	13,376	42	25	124,677	11,918	498
Chinese	15	19,857	28,897	—	29	40,858	11,995	—
Danish	12	40,503	11,438	159	12	40,503	9,883	18
Dutch	12	60,533	21,203	272	12	59,663	12,515	1,249
French	3	10,623	146	—	3	10,623	1,050	2
Greek	1	4,364	—	—	1	4,364	—	—
Hondurian	1	4,389	5,000	—	1	4,389	—	—
Italian	1	3,991	10,192	—	1	3,991	—	—
Norwegian	31	78,234	44,812	750	32	82,387	31,924	916
Panamanian	27	55,090	53,156	2	26	54,620	29,399	11
Philippine	8	13,441	9,443	2	11	19,102	3,665	26
Portuguese	1	111	12	—	—	—	—	—
Polish	1	2,932	1,500	—	1	2,932	—	—
Swedish	5	14,979	5,762	—	5	14,979	1,465	18
U. S. R.	3	1,424	—	—	3	1,424	—	—
Total								
Foreign	144	427,084	204,937	1,227	162	464,512	113,814	2,738
Total	257	695,411	304,794	6,654	272	742,329	196,637	6,817

River Steamers

Arrivals

Departures

Flag	River Steamers				River Steamers			
	No.	Tonnage	Cargo	Passengers	No.	Tonnage	Cargo	Passengers
British	255	235,353	6,148	79,581	255	235,066	8,743	91,256
Chinese	39	4,124	1,235	—	37	3,939	1,028	—
Portuguese	1	297	151	—	2	594	218	—
Total								
Foreign	40	4,421	1,386	—	39	4,533	1,846	—
Total	295	239,774	7,534	79,581	294	239,599	10,589	91,256

HONGKONG COMMERCIAL CARGO

For January-September, 1950.

1950	Ocean Vessels		River Vessels	
	Discharged	Loaded	Discharged	Loaded
January	443,678	145,863	8,783	14,652
February	282,001	123,112	6,912	9,175
March	331,242	216,248	7,754	14,155
April	342,507	176,001	9,876	7,037
May	361,934	179,246	12,867	10,666
June	281,884	159,449	8,285	5,539
July	282,035	191,705	8,854	7,328
August	252,428	208,477	8,462	8,480
September	304,794	196,637	7,534	10,589
Jan./Sept. 1950	2,882,503	1,596,738	79,327	87,611

Total ocean cargo: Jan./Sept. 1950: 4,479,231 tons; total river cargo: 156,938 tons; grand total: 4,636,169 tons.

Monthly averages for 1948 and 1949 (in tons):

		1947	1948	1949
Ocean cargo	in	187,552	193,416	272,418
"	out	71,047	87,849	128,034
River cargo	in	7,483	9,042	8,291
"	out	7,369	7,456	10,404

Highest and lowest cargo figures for 1949 and 1948 (in tons):

		1949	1948
Highest discharged	in Dec.	377,034	241,574
" loaded	in Sept.	158,697	122,684
Lowest discharged	in Feb.	179,805	138,922
" loaded	in Feb.	76,461	57,988

HONGKONG JUNKS & LAUNCHES IN SEPTEMBER 1950
Foreign Trade Conducted by Junks & Launches of 60 registered tons & under
JUNKS

	No. of Vessels		Reg. Tonnage		Dead Weight		No. of Passengers	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
1950								
September	1,101	1,139	125,146	133,146	35,065	9,697	1,024	1,850
Total	1,101	1,139	125,649	133,146	35,065	9,697	1,024	1,850
August	845	866	97,734	103,345	28,705	9,818	744	1,710
	+ 256	+ 273	+ 27,915	+ 29,801	+ 6,380	- 121	+ 280	+ 104

LAUNCHES

	No. of Vessels		Reg. Tonnage		Dead Weight		No. of Passengers	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
1950								
September	232	221	5,653	5,377	501	310	-	-
Total	232	221	5,653	5,377	501	310	-	-
August	167	165	4,339	3,772	1,315	101	-	-
	+ 65	+ 56	+ 1,314	+ 1,605	- 814	+ 209	-	-

Total Vessels entered & cleared August 1950:	2,843	299,190 N.R. Tons.
" " " " September 1950:	2,693	269,825
Total Cargo discharged & loaded August 1950:	+ 650	+ 60,635
" " " " September 1950:	39,939	D.W. Tons.
	45,583	
	+ 5,654	

January-September 1950:
 Total Vessels entered and cleared: 14,048 of 1,414,184 N.R. Tons.
 Total Cargo discharged and loaded: 367,332 D.W. Tons.

Local Trade conducted by Junks & Launches of 60 registered tons & under
JUNKS

	No. of Vessels		Reg. Tonnage		Dead Weight		No. of Passengers	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
1950								
September	1,552	1,504	61,880	59,374	30,459	5,929	-	-
Total	1,552	1,504	61,880	59,374	30,459	5,929	-	-
August	748	744	26,938	30,369	7,446	6,455	-	-
	+ 804	+ 760	+ 34,942	+ 29,003	+ 23,013	- 596	-	-

LAUNCHES

	No. of Vessels		Reg. Tonnage		Dead Weight		No. of Passengers	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
1950								
September	475	478	12,551	12,572	371	249	27,338	27,891
Total	475	478	12,551	12,572	371	249	27,338	27,891
August	563	564	12,701	12,674	177	361	27,218	28,234
	- 88	- 86	- 150	- 102	- 194	- 112	+ 120	- 343

Total Vessels entered & cleared August 1950:	2,619	82,632 N.R. Tons.
" " " " September 1950:	4,009	146,377
	+ 1,390	+ 63,695

Total Cargo discharged & loaded August 1950:	14,439	D.W. Tons.
" " " " September 1950:	37,008	
	+ 22,569	

January-September 1950:
 Total Vessels entered and cleared: 24,038 of 965,389 N.R. Tons.
 Total Cargo discharged and loaded: 181,503 D.W. Tons.

Hongkong Imports & Exports of Selected Commodities

FOR THE MONTH OF AUGUST, 1950.

WOLFRAM

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	14	5,550
Holland	—	—	252	118,440
U. S. A.	—	—	235	117,680
Total	—	—	501	241,670

ANTIMONY

United Kingdom ..	—	—	2,638	194,091
Australia	—	—	135	14,500
China, Middle	—	—	16	2,800
Total	—	—	2,789	211,391

TIN INGOTS OF CHINESE ORIGIN

China, Middle	—	—	24	15,330
U. S. A.	—	—	168	136,000
Total	—	—	192	151,330

TINNED PLATES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	395	25,893	—	—
China, North	—	—	806	72,200
" Middle	—	—	1,601	86,028
" South	—	—	1,563	110,510
Macao	2	200	261	21,487
Thailand	—	—	14	850
U. S. A.	6,388	308,705	—	—
Others	—	—	6	436
Total	6,785	334,798	3,711	291,511

ANISEED OIL

United Kingdom ..	—	—	142	119,385
Australia	—	—	10	7,898
China, Middle	—	—	1	300
" South	278	199,165	—	—
France	—	—	158	126,945
French Indochina ..	75	62,850	—	—
Germany	—	—	34	22,176
Holland	—	—	31	26,775
Japan	—	—	6	5,400
U. S. A.	—	—	191	180,085
Total	353	262,015	573	488,964

CASSIA OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	24	39,785
India	—	—	6	5,569
China, South	43	59,220	—	—
Japan	—	—	13	22,398
Macao	29	44,190	—	—
U. S. A.	—	—	168	283,077
Total	72	103,410	211	350,829

COCO-NUT (copra) OIL, REFINED

Malaya (Br.)	12,922	1,375,732	—	—
China, Middle	—	—	5,321	573,158
" South	—	—	3,048	322,712
Macao	—	—	170	19,480
Thailand	861	103,320	—	—
Total	13,783	1,479,052	8,539	915,350

LINSEED OIL

India	84	13,432	—	—
Holland	—	—	3,192	370,880
Macao	—	—	3	360
Thailand	—	—	32	6,000
Total	84	13,432	3,227	377,240

GROUNDNUT (peanut) OIL

Malaya (Br.)	81	12,150	228	31,718
North Borneo	—	—	40	5,037
Br. Commonwealth, Other	—	—	57	10,248
China, North	9,726	1,218,914	—	—
" Middle	1,163	194,688	30	4,500
" South	—	—	433	49,380
Japan	—	—	2	360
Macao	23	3,316	2,732	337,956
Thailand	6,555	988,172	—	—
Total	17,548	2,417,240	3,522	439,199

SESAMUM OIL

Australia	—	—	1	67
Canada	—	—	144	29,898
India	—	—	1	150
Malaya (Br.)	—	—	94	18,949
North Borneo	—	—	1	75
Br. Commonwealth, Other	—	—	1	330
China, North	149	26,940	—	—
" South	1	80	—	—
Central America ..	—	—	1	264
Macao	—	—	14	2,340
Philippines	—	—	1	140
South America	—	—	2	240
U. S. A.	—	—	152	38,145
Total	150	27,020	412	90,598

SOYA BEAN OIL

Australia	—	—	840	85,680
China, North	10,050	1,158,619	—	—
" South	2,530	222,994	—	—
Italy	—	—	5,376	542,720
Others	—	—	420	43,250
Total	12,580	1,381,613	6,636	671,650

TEA SEED OIL

United Kingdom ..	—	—	26,851	4,118,880
Malaya (Br.)	—	—	3	479
China, South	18,200	2,415,272	—	—
Total	18,200	415,272	26,854	4,119,359

WOOD OIL (in drums)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Australia	—	—	3,369	581,227
Malaya (Br.)	—	—	119	24,937
New Zealand	—	—	1,108	191,352
North Borneo	—	—	26	4,736
Belgium	—	—	840	139,672
South Africa	—	—	573	99,932
China, North	1,808	304,847	—	—
" Middle	—	—	90	18,080
" South	107,819	17,374,972	—	—
Denmark	—	—	420	72,776
France	—	—	1,008	190,092
French Indochina ..	—	—	2,260	228,204
Germany	—	—	2,772	503,111
Holland	—	—	1,344	230,223
Italy	—	—	1,126	201,399
Japan	—	—	330	50,058
Macao	479	62,791	—	—
Norway	—	—	1,344	232,940
U. S. of Indonesia ..	—	—	168	29,736
Thailand	—	—	26	3,805
Sweden	—	—	4,788	869,966
Spain	—	—	330	65,400
U. S. A.	—	—	11,164	2,049,790
Total	110,106	17,742,610	32,205	5,787,436

WOOD OIL (in bulk)

United Kingdom ..	—	—	9,523	1,672,415
China, South	12,523	1,983,500	—	—
U. S. A.	—	—	68,990	11,921,406
Total	12,523	1,983,500	78,513	13,593,821

OTHER OILS FROM SEEDS, NUTS AND KERNELS

United Kingdom ..	—	—	1,237	109,085
China, South	1,278	112,160	2	240
Japan	8	3,625	—	—
Macao	—	—	6	2,160
Philippines	60	9,300	—	—
Thailand	54	5,400	—	—
U. S. A.	4	2,900	—	—
Total	1,404	133,385	1,245	111,485

BRISTLES

United Kingdom ..	—	—	554	1,217,682
Australia	—	—	15	19,200
China, Middle	—	—	7	10,900
" South	1,461	1,576,000	—	—
Germany	—	—	35	21,600
Japan	—	—	82	50,000
U. S. A.	—	—	1,788	4,556,138
Total	1,461	1,576,000	2,281	5,875,320

RUBBER, RAW

Malaya (Br.)	44,516	12,008,603	—	—
North Borneo	420	48,395	—	—
China, North	—	—	57,702	10,610,807
" Middle	—	—	684	148,593
" South	—	—	21,494	5,914,589
Macao	—	—	62	18,478
U. S. of Indonesia ..	2,106	220,182	—	—
Total	47,042	12,277,180	79,942	16,692,467

Exports of Hongkong Manufactured Goods during September 1950

During September, local manufactured goods exported under Imperial Preference Certificate and Certificate of Origin showed a total value of \$17,645,678 (HK\$ equals 1s. 3d. or US 17½ cents), representing a fall of 34% against the August figure of \$26,784,997 and of 41.4% compared with July \$30,108,009. The exports for those two months were, however, abnormal, owing to the large quantities of cotton yarn taken by Pakistan which, although still large, had fallen considerably in September. The following table shows monthly shipments under I.P.C. and C.O. for the nine months of the year:

January	\$ 9,704,802
February	9,060,934
March	11,733,148
April	16,221,142
May	13,970,679
June	15,051,419
July	30,108,009
August	26,784,997
September	17,645,678
Total Jan./Sept.	\$150,180,808

The main export, as for the past few months, was cotton yarn which amounted to \$7.56 million in value; cotton piece goods followed to the value of \$1.77 m. and flashlight torches came third with \$1.23 m., both the latter items showing a reduction in exports from the August amounts of \$2.65 m. and \$2.15 m. respectively. Values of the principal goods manufactured locally and shipped under I.P.C. and C.O. from January to September are given below:—

	Cotton Yarns \$ m.	Shirts etc. \$ m.	Knitted wares \$ m.	Rubber Shoes \$ m.	Cotton Piece Goods \$ m.	Enamel-ware \$ m.	Flashlights \$ m.
1949 Monthly average: ...	0.24	0.50	0.54	1.11	1.53	0.72	0.52
1950 January	0.50	0.62	2.07	1.97	1.03	0.69	0.34
February	1.51	0.52	1.87	1.31	0.81	0.52	0.52
March	0.88	1.28	2.66	2.31	0.72	0.84	0.65
April	1.53	2.69	3.51	2.05	0.95	1.17	0.82
May	0.48	3.08	2.13	1.23	1.06	0.99	0.60
June	3.35	1.41	1.27	0.56	1.11	1.33	1.12
July	20.47	0.71	0.66	0.58	1.99	0.66	0.96
August	14.72	0.76	0.89	0.76	2.65	0.83	2.15
September	7.56	0.99	0.81	0.99	1.77	0.78	1.23

Pakistan came first, with purchases of locally-made goods to the value of \$8.22 million, composed almost entirely of cotton yarn, the United Kingdom followed with imports amounting to \$1.53 m., Malaya came third with \$1.37 m., and the British West Indies and South Africa fourth and fifth with \$1.03 m. and \$1 m. respectively:—

Pakistan	\$ 8,221,886
United Kingdom	1,528,540
Malaya	1,338,246
Br. West Indies	1,034,619
Union of South Africa	1,000,397
Br. East Africa	885,099
Ceylon	813,952
Br. West Africa	800,688
Br. Empire Others	453,291
Australia	411,715
Central America	229,647

India	130,777
North Europe	120,912
Burma	116,788
New Zealand	107,807
Br. North Borneo	89,617
Egypt	83,323
Port. East Africa	78,509
Indonesia	70,365
Syria	67,089
Thailand	29,060
Iraq	3,371
Total	\$ 17,645,678

The following table indicates the various countries to which the principal HK manufactures were despatched during September under I.P.C. and Certificate of Origin:—

Exports of Local Goods under I.P.C. and C.O.

	bales	\$
Pakistan	5,989	7,556,874
Total	5,989	7,556,874

	yds.	\$
United Kingdom	175,360	185,588
Australia	93,200	134,700
Br. West Indies	106,360	119,856
Central America	5,200	6,560
South Africa	232,450	339,827
Br. West Africa	43,692	54,206
Br. East Africa	39,364	50,244
Malaya	670,612	748,056
Br. Commonwealth, oth.	6,000	6,005
North Borneo	28,300	40,260
Burma	24,800	29,000
Pakistan	47,000	51,213
Total	11,472,338	1,774,560

FLASHLIGHT

	doz.	\$
United Kingdom	36,123	308,471
Australia	1,898	30,940
Br. West Indies	1,260	30,769
Central America	3,272	62,071
Union of South Africa	3,549	48,946
Br. West Africa	6,235	131,873
Br. East Africa	2,263	20,873
Portuguese East Africa	186	4,333
Egypt	30	510
Malaya	500	13,000
India	1,500	22,527
Ceylon	5,409	213,997
Br. Commonwealth, other	1,238	17,548
New Zealand	197	3,580
Syria	3,390	31,041
North Europe	1,375	17,640
Pakistan	2,786	246,115
Indonesia	1,320	24,803
Total	71,470	1,229,022

RUBBER SHOES

United Kingdom	249,986 pairs	482,370
Australia	6,481	19,489
British West Indies	78,996	223,895
Central America	9,683	34,141
Union of South Africa	2,432	8,972
British West Africa	20,676	47,966
British East Africa	16,682	24,853
Egypt	420	1,539
Iraq	1,596	3,053
North Borneo	105	930
Ceylon	19,488	30,558
Br. Commonwealth, other	27,084	57,946
New Zealand	11,451	31,495
Burma	1,896	6,121
North Europe	3,325	19,977
Total	450,301	993,305

SHIRTS AND CLOTHING

United Kingdom	250 doz.	16,225
British West Indies	1,859	97,346
Central America	382	17,787
Union of South Africa	4,390	177,440
British West Africa	900	55,250
British East Africa	6,733	461,935
Portuguese East Africa	150	8,150
Egypt	100	5,250
Ceylon	375	23,800
Br. Commonwealth, other	903	53,374
Pakistan	1,001	74,082
Total	17,013	990,739

ENAMEL WARE

British West India	2,056 doz.	12,815
Central America	6,196	26,187
Union of South Africa	13,212	93,759
British West Africa	37,571	208,520
British East Africa	30,917	201,334
Portuguese East Africa	7,559	46,953
Egypt	12,100	58,915
North Borneo	660	5,957
Ceylon	4,589	16,134
Br. Commonwealth, other	9,979	24,387
North Europe	9,922	68,122
Total	129,761	763,083

Below are given details of goods manufactured in Hongkong and exported under Imperial Preference Certificate or Certificate of Origin during September:

Locally-made Goods exported under I.P.C. and C.O. during September

Cotton Yarn	5,989 bales	7,556,874
Cotton Piece Goods	14,723,338 yds.	1,774,560
Flashlight Torches	71,470 doz.	1,229,022
Rubber Shoes	450,301 pairs	993,305
Shirts and Clothing	17,013 doz.	990,739
Knitting Wares	47,789 doz.	813,793
Enamel Wares	129,761 doz.	763,083
Silk & Mill (Art.)	121,289 doz.	332,072
Towels	13,676 doz.	—
	124,610 yds)	319,943
Matches	9,912,000 boxes	250,666
Buttons	5,682 gt. grs.	201,721
Socks	29,022 doz.	189,103
Bulbs for Flashlights	2,798,400 pcs	158,701
Batteries	63,570 doz.	128,767
Umbrella	4,095 doz.	129,573
Camphor Tablets	36,500 lbs	116,459
Watch Bands	11,713 doz.	107,566
Plastic Ware	13,024 doz)	100,900
	12,590 gross)	—
Ground Nut Oil	54,396 cattles	99,864
Canning & Preserving	93,271 lbs	94,335
Embroidery	1,369 doz)	—
	916 sets)	—
	2,500 pcs)	—
	160 doz prs.)	76,250
Handkerchiefs	17,400 doz	75,008
Kerosene Lamps	3,016 doz	73,929
Proprietary Medicines	18,150 doz.)	—
	14,000 boxes)	63,997
	1,451 lbs)	—
	5,000 bottles)	—
Hurricane Lanterns	1,993 doz	63,642
Toys	16,774 doz)	—
	649 gross)	—
Glass Ware	13,034 lbs	61,970
Ginger Preserved	66,046 lbs	56,891
Mosquito Destroyers	144,440 boxes	54,477
Hats & Caps	5,457 doz	50,977
Leather Shoes	9,042 pairs	46,182
Vacuum Flasks	1,503 doz	44,695

FINANCIAL REPORTS

HONGKONG FREE EXCHANGE MARKET

Compared with the preceding week there have been hardly any changes both in market sentiment and rates, silver making the only exception but on account of the relatively unimportant role of that market in Hongkong there have been no repercussions elsewhere. Gold dealers were hoping for some political complications in order to clear part of their excess stocks but everything points now to a lessening of tension in the Far East and no prospects for major disturbances. The Korean war has not yet terminated, it is true, and the UN police action in northern Korea is proceeding but there is no doubt about the progress of this operation and also there is no doubt about the emptiness of the threat uttered by Foreign Minister Chou En-lai (about interfering if and when UN forces enter northern Korea). There is some renewed activity reported from Indochina and the Vietminh insurgents have taken to the offensive in certain border areas; but the much advertised campaign by Ho Chi-min, 'to drive the French invaders out of the country', is soberly appraised here as more of a communist morale boosting—especially now when the collapse in Korea has become so dramatically clear to the whole world. When the time is considered ripe by the French-Vietnam high command, in conjunction with US aid and advice, the insurgents will speedily be put into their place; to de-

feat them decisively is however a task beyond the moment's need. As far as local markets are concerned the spread of fighting in Indochina has no real effect though it is watched as the possibility of communist China's intervention, covertly though, cannot be ruled out especially now when Peking's propaganda has unleashed a barrage of anti-French 'imperialist' paper and ether slander.

In order to make local speculators in gold turn again to imports there must occur a real deterioration of the situation and the threat of world war must assume more tangible aspects. But after September 15, the landing at Inchon, the general situation has turned in favor of the so-called western powers and then nobody is so naive as to believe that the communists in the Far East will be able to recover from this set-back within this year or, if the victorious UN forces in Korea follow up their success with determination, even within the next one or two years. And during this time much can happen—for instance, changes in the Peking government and its policy vis-a-vis the USSR.

For the time being Hongkong will have to concentrate on gold exports just as it was done during the months prior to the start of the Korean war. During September 1949 to May 1950 export from here and to a smaller extent from Macao took place but the total outflow was too small to lead to a real slump; prices here were depressed but not sufficiently to stimulate exports on a larger scale. After the north Korean aggression started and expectations of the outbreak of another world war rose, prices here were driven up by forward operators and eventually reached such levels that imports (into Macao) became profitable. A total of 680,000 ozs troy of fine gold were subsequently imported into Macao, the major portion of which found its way into Hongkong in spite of the local Revenue officers' efforts to curtail this illicit trade. The quantity of imported gold appears impressive as it has been airlifted into Macao only during July and August with little coming in September. Profits were at times high as overseas purchasing prices ruled considerably below Hongkong cross rates; but when the margin narrowed imports were discouraged and eventually ceased.

Local and Macao stocks of 'ready trading gold' increased by the amount of imports in July-Sept. as hardly any appreciable amount was taken up by the ornamental trade or by real hoarders. Almost all new gold was bought by speculators and by native banks usually on behalf of 'marginal hoarders', those financiers and small investor-gamblers who buy with the intention of earning the daily change-over interest as fixed in the forward market at the local and Macao gold exchanges. As the price drops, the interest hedgers or marginal

hoarders unload and thus increase the selling pressure on a discomfited market.

Exports are the solution to the problem of how to reduce trading stocks and thus maintain prices on world market levels. So long as local prices remain only at around New York or Milan prices (per fine oz, in US\$) there cannot be any decrease in local stocks; a lower price will have to rule for such a time as is necessary to relieve the market of excess stocks. The lower price will be determined by air freight if exported from Macao or by transport 'fees' as charged by local smugglers, plus insurance and profit of bullion dealers.

Review of the week October 2-7:—

GOLD:—Highest & lowest rates per .945 fine tael \$291¼—279¼, equiv. to .99 fine tael and oz prices of \$305.11—292.50 and \$253.56—243.33 respectively. Crossrates US\$39½ high, 38 low.

Macao and Canton rates per .99 fine tael \$301—291 and \$299—291 respectively. Local rates were \$1 to 4 higher than Macao thus causing reduced imports into Hongkong; Canton prices rule at par with Hongkong. As the time for imports has passed and interest centres on exports there is no incentive for smuggling of gold into Hongkong; at present efforts are made by dealers to find buyers abroad and shipments are prepared both in Hongkong (ex old stock) and in Macao.

Highest & lowest rates of .945 fine tael of gold and TT New York:—

October	Gold		US\$	
	high	low	high	low
2	\$284¾	281	641	638
3	284¼	279½	640	638½
4	289¼	282¼	641¾	640
5	290¾	287¼	642½	641¾
6	290¾	284¼	641½	639¾
7	291¼	288½	642½	640

Forward contracts in the Gold Exchange: 247,000 taels (of .945 fine); average of daily contracts concluded: 41,150 taels; average daily position left open: 126,500 taels; spot (cash) sales: 49,020 taels (of which inside the Exchange, officially recorded 34,520, and concluded among native banks, and bullion brokers, also inside the Exchange but not officially recorded, 14,500 taels).

Interest (daily change-over per tael of .945 fine) remained in favor of sellers (bears) and totaled 26 cts. This low interest rate indicates that the market has approached a low price level and that further decreases may result in the practical disappearance of interest and, if a slump sets in, a change in the interest from the present bearish to a bullish side. Macao forward interest was negligible, remaining below 10 cts., thus indicating the resistance in the Portuguese colony's market to further declines.

Imports of last week 9700 taels, coming from Macao 5400, Taiwan 3200 and North China 1100. Prospects are that imports from Macao will peter out while Taiwan supplies may increase; at the same time there should be, if peace is assured, increasing offers from China

Rattan Wares	13,081 sets)	
	13,709 poc)	
	21 cases)	
	20 crates)	44,921
Cosmetic & Perfumery	11,759 doz	43,542
Fire Crackers	510 cases	42,690
Needles	14,200,000 pieces	41,977
Leather Ware	3,448 doz)	38,700
	5 pcs)	
Pencils	4,979 gross	37,998
Shoes Laces	8,720 grs. prs.	37,839
Table Cloth	559 doz	27,771
Camphor Chest	414 pieces	26,027
Sugar Candy	15,000 catties	18,900
Printed Cloth	5,300 doz	18,340
Rain Coats	120 doz	18,094
Woolen Yarn		
(hand knitted use)	2,505 lbs	18,078
Ropes	14,365 lbs	17,780
Rattan Cane & Peel	120 bales)	
	1 cases)	
	4,000 sq. ft.)	17,666
Gourmet Powder	254 doz	17,145
Feather	13 pcis)	
	2,264 lbs)	16,334
Machinery	7 Nos	16,330
Soaps	180 gross	6,624
Iron, Charcoal	93 doz	6,180
Hard Ware	110 doz)	
	1,200 gross)	3,396
	12 rolls)	
	240 sets)	
Tea	1,133 lbs	4,824
Tooth Brush	100 gross	4,572
Preserved Meat	439 catties	3,997
Seagrass Twine	58 bales	3,472
Printed Paper	138 pcs	1,447
Electrical Accessories	93 doz)	3,300
Bean Sticks	480 lbs	913
Candles	4,390 doz	876
Birds Nest	17 lbs	393
Cotton Thread	90 doz ball	390
Cutlery	100 pieces	270
Total		\$17,645,678

where merchants still hold considerable treasures which now, when monetary stability in China has been achieved and the outbreak of another great world war is deemed unlikely, might be 'defrosted' and proceeds invested in trade and industry.

Exports: There was growing anxiety here and in Macao to get rid of the excess stocks which, during the months of July-September, have been rising to an alarming extent. Holders are pressing to reinvest their funds which now bring them no satisfactory returns and may continue to dwindle as the price of gold is on the downgrade. The premium paid by exporters for bars of .99 fineness over and above the .945 fine market price (also called here 'quality compensation') has risen to \$15.20 — 15.70, being in excess of the actual difference between the two grades of gold bars.

Exports were consigned to Bangkok 8700 taels, Singapore 4200, India 3500, Indochina 1200, making a total for the week of 17,600 taels.

Macao exports have not yet started but when the price is thought to be low enough to warrant exports from Macao then loads of at least 30,000 to 50,000 ozs each will be airlifted out of the Portuguese colony. Such shipments, in contradistinction to Hongkong made exports (illicit exports), are made to Europe, the Levant or Goa (in India) with the prior permission of the receiving country or territory.

Hongkong exports usually go towards meeting demands of native populations in Far Eastern countries, and also, via intermediate ports, in India and, to a small degree, Pakistan.

In the case of Bangkok the exports made from Hongkong enter, upon unloading from ships at the city's harbour of Koh-Sichang, the gold market; the Siamese authorities prohibit gold imports (other than in transit by airplanes, stipulating the keeping of such transit gold in bonded vaults, for a short period only) but they are aware that there flourishes in the country a big gold market catering for the needs of the Chinese minority but also the Siamese who, young and old, poor and rich, must wear and possess some gold ornaments. The supply of this Bangkok gold market is largely made from Hongkong. The irony of this situation is found in the fact that Hongkong obtains the majority of its supply (via Macao) from Bangkok where scheduled airlines discharge bullion (originally acquired by brokers in South America or in Europe, usually also from Latin American new mining production) only to be loaded immediately or after a short period of waiting at Bangkok's airfield of Don Muang (where gold dealers own a large vault for storing bullion) on Catalinas (flying boats), operated by the Siamese state owned P.O.A.S. for delivery in an about 6 hours non-stop flight at Macao's seaplane anchorage (at Porto Exterior). A few months back another airline was also operating Catalinas between Bangkok and Macao; the Macao Air Transport Co., but this firm is only irregularly flying these days between Saigon and Macao also for hauling in bullion which has been discharged at the Vietnam capital, mostly by a British bullion firm and consigned to the principal Chinese bullion firm in Macao.

Hongkong exports of gold to Singapore are destined for supply of the Malayan market; the Chinese in Malaya, now surpassing in numbers the Malaysians if Singapore and Malaya estimates of population are taken together, appreciate the possession of gold ornaments just as much as their brethren in China, and the Malays are also a gold-loving race. Officially imports are embargoed, the reason for this measure being found in the fact that most gold purchases have to be paid for in TT New York. Thus a black market in bullion is operating without little effective interference by the authorities. Similar conditions exist in Indochina; but as a result of the raging civil war, which of course is only felt in the north directly, the Chinese immigrants and larger numbers of well-to-do Vietnamese like to hoard gold which is supplied by Hongkong. As pointed out above in the case of Bangkok, bullion imports which reach first Saigon in transit are eventually, in part, returned by smugglers from Hongkong to the gold market of Saigon.

The whole situation in regard to Bangkok and Saigon gold supplies is comical, exposing as it does the ineffectiveness of controls and proving that where there is demand there will always be supply—and law makers please take due note.

US\$:—Highest & lowest rates per US\$100, in HK\$:—notes 638—633½, DD 640¾—637, TT 642½—638, equiv. to crosses of US\$2.49—2.507. Sales: TT US\$470,000, DD and notes US\$510,000, a total of US\$980,000.

With gold importers out of the market and no extraordinary outport purchases or sales the local market was calm and boring. Speculators are also absent; the rumored sterling appreciation has not led to any forward sales of US\$ and after the latest statement of the British Government as regards their disavowal of any intention to appreciate sterling the speculators maintain their passivity.

Merchant demand has however been more conspicuous. Local godowns are ready to receive cargo and importers are anxious to provide it; the mid-summer boom, thanks to the communists and their foolhardy attempt to 'take-over' South Korea, has emptied much space formerly congested to breaking-point, and warehouse managers have grown long noses. There is, however, general optimism displayed as to the near-future development of trade, especially with China, and new indents are signed one after the other while rush shipments are on their way. China trade is progressing well, the steady stream of exports from China auguring well for further increase of Hongkong exports to China. Other Far Eastern customers are also keen inquirers which all adds up to quite a rosy picture. Under these circumstances, further and more substantial orders for US goods are to be expected with a commensurate increase in the demand for funds in New York. A rise in the free market rate is however not to be expected; the local rate will move in sympathy with overseas free exchange markets as there are, for the time being, no gold market flurries or other disturbances influencing the rate.

SILVER: — Rates per .99 fine tael \$4.90—5, dollar coin 3.01—3.20, twenty cents coins (5 pcs) 2.40—2.43. Export demand and decreasing stocks here with little prospect for imports from China caused a price boom.

BANK NOTES & DRAFTS: — Rates per one currency unit in HK\$: — Japan 155 (per 10,000 yen), London 15.70 — 15.75, Australia 12.65 — 13.10, Canada 6 — 6.10, Malaya 1.74% — 1.75½, India 1.12 — 1.13½, Burma .83½ — .84, Philippines 2.12% — 2.14, Macao .98 — 1; per 100 currency units: Indochina 12% — 13, Siam 26.80, Indonesia, new rupiahs 28, old Nica guilders 2½.

Japanese Nippon Ginko notes were traded in small lots at stable prices. Australian exchange was firm as speculators still cling to the hope of seeing a higher official rate in the near future. Canada's decision to free its currency from control and let it seek its own level on the world's exchange markets had the effect here of small hoarding and slightly higher prices; against the US note the Canadian dollar's rate is still some 5% lower, i.e. about the same as in New York. Pesos, from Manila, are on generous offer with fewer takers. Rupiahs from Jakarta are practically unobtainable; smugglers seem to be less successful in getting this new money here though there is some demand for it (from travellers and money here though there is some demand for it (from travellers and merchants).

CHINESE EXCHANGES: — Rates on the local free market were on the whole unchanged against the previous week; a discount on the Chinese yuan continues (about 5%) and black market business inside China is heavily on the increase.

Local native banks quoted for People's Bank notes \$193½ — 196½ (per one million), for drafts \$198½ — 199% (per one million PB\$), for remittances made in terms of HK\$, 99 to 100 per 100 in Canton. Business done: in PB notes: PB\$ 370 million; in PB\$ drafts: 23,500 million; in HK\$ remittances: HK\$ 940,000.

Rates quoted here on Shanghai: gold bars 94½ — 95¼, in US notes 93% — 94%; on Taiwan: gold bars 82½ — 83¾, in US notes 92½ — 93¾ (per 100 in Shanghai and Taiwan). The Taiwan 'new yen' note was quoted here at HK 59 cents per one yen.

Canton's black market operated rather freely and in big amounts. Difference between buying and selling rates usually 4 to 6% (as brokers and private dealers want to earn more margin in times when dealings are officially outlawed). Average daily business: HK\$145,000.

The Chinese authorities, especially in South China, are more tolerant than could be expected after their stern actions earlier in the year. The latest change in the behavior of the authorities is however a consequence of the 'new trade policy' — an unannounced volte-face from earlier strict import-export controls. Now imports by private merchants financed from their own funds abroad (so-called self-provided exchange, i.e. exchange purchased by importers from the black market in

Canton or the free market in Hongkong) are rising; the September figure of imports financed via the black market increased by 550% over August. The authorities in Kwangtung understand the reason for this heavy increase and, indeed, they seem to be pleased with it. Customs earnings were swelling and the commodity markets were well supplied. Official interest centers on the prevention of imports of 'luxury goods' but even here the authorities have come to appreciate the effects of the working out of free enterprise efforts — if demand for certain 'luxuries' exists traders will know how to satisfy it despite embargoes; what is important is to educate the people and to discourage them from wasting money on luxuries, and also to drain away excess purchasing power (conversely, enforce subsistence pay in private and state owned enterprises).

In recent weeks there have been very large transfers of People's Bank currency between Canton and Hongkong but all these transfers covered only commercial transactions; speculation in exchange rates or capital movements were absent. Therefore, the authorities in Kwangtung have not seen fit to interfere with this increasing volume of free market exchange transactions. The discount of some 5% which the PB\$ on the free market suffers is nothing more than could be regarded as normal under present conditions; besides, the official value of the Chinese money in terms of HK\$ and other foreign exchange appears too high at the moment.

Overseas Chinese family remittances have recently reached recipients via unofficial channels as a result of the higher rate paid by free market dealers.

Hongkong Stock & Share Market

The repercussions of the UN success in Korea continue to be felt here and the stock market remains in buoyant mood. The public shows much interest in the daily price movements and new capital is seeking investment though very often accommodation, at least at current rates, is difficult or impossible. Inquiry is pressing in many counters. Turnover is high and brokers enjoy a boom — well-deserved after months of idleness.

There is growing interest among investors and certain speculative cliques to see short-term forward transactions reintroduced at the Exchange; the Committee however do not make a move in spite of the known desire on the part of the majority of brokers to revitalise the market. Conservative bankers being opposed to any form of forward trading, the present strict cash basis will, for some time to come, prevail. Some private deals in future delivery have however been concluded among holders; one deal received some publicity (10,000 Cements sold forward for settlement on December 15).

The rubber estates sector has been dormant for a long time and even the current boom has not affected it. There are offers but at rates which do not interest holders. Generally, quotations have been extremely low and unrealistic. Now when there is in addition to the vastly improved political situation in the Far East a rubber price boom on, holders of long-neglected, even despised shares in rubber estates should expect greatly improved rates. The weakness of the rubber market is however partly due to the presence of 'distress' holders (mostly ex-residents of Shanghai) who in the past have not been able to get satisfactory prices from the rather small group of locally domiciled rubber share holders.

With the strong rally of prices here the investing public may give more thought to the matter of company management. As the market returns to sanity and political conditions encourage investment, the shareholder should, rather than grumble, take an active interest in the management of local public

companies and the policies of the directors. Unfortunately there has been too much passivity which has been observed in other share markets just as well; but it was encouraging to note that particularly in 1949 voices of discontent were heard and annual general meetings were sometimes interrupted by a shareholder's modest inquiry or suggestion. The apathy of the shareholder has been taken for granted but in times of apparent misfortune such as we just passed through some shareholders regain their voice—and now it remains to be seen whether a few stalwarts will make themselves heard in spite of the favourable turn the market has taken. G. D. H. Cole well described in his 'Evolution of Joint Stock Enterprise' the attitude of shareholders in public companies when he wrote that shareholders, "entitled to attend the company meetings and therewith by their votes to appoint directors to administer the businesses, cease in most cases even to consider the possibility of attendance, or to regard themselves as in any way responsible for the conduct of the enterprises which are legally their property. This is natural and inevitable; for what collective influence can possibly be exercised by a constantly shifting body of shareholders, scat-

tered far and wide, unknown one to another, and for the most part utterly ignorant of the conditions of the industry or the business in which their money is embarked? Investors nowadays habitually buy and sell, in their own minds, not shares in the ownership and responsibility of a shipyard, or a steel works, or a chemical factory, but claims to receive from these enterprises an income, which may turn out well or ill. Occasionally, a scandal or a scare attract a large attendance at a shareholders' meeting; but as a rule the great majority of shareholders no more think of attending a meeting than an atheist thinks of going to church."

* * *

Last week's Stock Exchange Committee's report:—

After a week of fair activity the market closed slightly lower than the best as profit takers dominated the final session. The under tone was steady however, and losses were unimportant.

The feature of the week has been the strong and consistent demand for Green Island Cements which showed stout resistance and finished \$2.00 higher than Monday's early sales.

China Underwriters and North Points also had supporters and registered gains. Business reported during the week \$4,284,050. Business reported for the 3rd Quarter 1950, \$10,497,238.

Business done during the week:—

	Closing rate	Sales Shares
H.K. Govt. 4% Loan	\$ 98	\$73,000
do 3½% " (1934)	\$ 95	\$10,000
H.K. Bank	1440	197
Canton Insurance	260	325
Union Insurance	680	281
China Underwriters	3.90	29,891
Union Waterboats	18	630
Asia Navigation	0.70	3,000
Wharves	84½	900
North Point Wharves	5½	7,500
H.K. Docks	16	978
C. Providents	12	14,825
Shanghai Docks	4	1,500
Wheelock Marden	25	1,800
H.K. & S. Hotels	8.40	33,100
H.K. Lands	44	1,100
H.K. Tramways	14.30	26,522
Star Ferry	73	800
China Lights (O)	13½	21,200
do (N)	9½	23,669
H.K. Electrics	12	16,081
Telephones	14½	8,400
Cements	13½	54,600
Ropes	13½	500
Dairy Farms	14	15,192
Dairy Farms (N)	12	4,700
Watson	26½	9,100
Kwong Sang Hong	82	50
Yangtze	2¾	1,600
Ewo Cotton	3½	1,600

Highest & Lowest Quotations at the Hongkong Stock Exchange

FOR THE YEAR 1949 AND FOR THE FIRST NINE MONTHS OF 1950

STOCK	Jan./Sept. 1950 High Low	Year 1949 High Low	STOCK	Jan./Sept. 1950 High Low	Year 1949 High Low
H.K. GOVT. LOANS			PUBLIC UTILITIES		
4% Loan	\$100 96½	103 100	H.K. Tramways	\$16½ \$10	21½ 14
3½% " (1934 & 1940)	\$98 96½	101½ 100	Peak Trams (Old)	— —	20 18
3½% " (1948)	\$100 98½	102½ 100	" (New)	— —	9½ 8½
BANKS			Star Ferries	\$98 \$63	142 8
H.K. & S. Bank	\$1530 \$1120	1870 1390	C. Lights (Old)	\$13½ \$9	15.80 10.10
(Lon. Reg.)	— —	£108½ 90	" (New)	\$8½ \$6	11.80 7.05
Chartered Bank	£10/18/6 £10/16/-	— —	H.K. Electrics	\$31½ \$18½	41 28
Mercantile Bk. A. & B.	— —	— —	Macao Electrics	\$23 \$19½	28¾ 20
Bank of East Asia	\$112 \$100	150 105	" Bonus Sh.	— —	— —
INSURANCES			Sandakan Lights	\$19½ \$9½	35½ 17½
Canton Ins.	\$325 \$230	375 305	Telephones	20 .02	— —
Union Ins.	\$680 \$535	750 625	Shanghai Gas	\$1½ \$1	4 1½
China Underwriters	\$3 \$3	6.30 5	INDUSTRIALS		
H.K. Fire Ins	\$215 \$135	270 215	Cements	\$21½ \$7.90	42 19
SHIPPING			H.K. Ropes	\$18 \$12¼	22 11½
Douglases	— —	200 200	STORES &c.		
H.K. & M. Steamboats	— —	11 11	Dairy Farms O.	\$42½ \$30	43 29
Indochinas (Pref.)	\$12 \$12	89½ 89½	" N.	\$15 \$9.60	44½ 29
" (Def.)	\$191 \$191(1)	203 200	" (Rts.)	\$5 .60	— —
Shells (Bearer)	— —	32½ 22	Watsons	\$50 \$20	63½ 39
U. Waterboats	\$26 \$18	32½ 22	L. Crawfords	\$22 \$18½	25 17
Asia Nav.	\$1½ .62½	1.15 .60	Sinceres	\$4.80 \$2.10	7 4½
DOCKS, WHARVES, GODOWNS, ETC.			China Emporium	\$10.40 \$8½	11¼ 8
H.K. & K. Wharves	\$115 \$65	142 100	Sun Co. Ltd.	\$2½ \$1.70	3.40 2.40
North Point Wharves	\$6 \$4½	7½ 4.80	Kwong Sang Hong	\$108 \$62	142 72
Sh. Hongkew Wharves	\$7½ \$4¼	18 10	Wing On (H.K.)	\$2 \$8	— —
H.K. Docks	\$19 \$13	29½ 15	MISCELLANEOUS		
China Providents	\$12½ \$8½	19¾ 10¾	China Entertainments	\$17½ \$14	18 14
S'hai Dockyards	\$2.10 \$2.10	12½ 6	H.K. Constructions (O)	\$3½ \$1.90	5 2.30
Wheelocks	\$33 \$19	32½ 25	" (N)	\$90 \$4½	4½ 1.20
MINING			Vibro Pillings	\$15 \$10	— —
Raub Mines	— —	5.70 3.85	S'hai Loan	\$1 .70	2½ 1¼
H.K. Mines	— —	0.015 0.015	Yangtszes	\$5 2¼	5 2.40
LANDS, HOTELS & BLDGS.			COTTONS		
H. & S. Hotels	\$12.30 \$6	16 9.10	Ewos	\$6.70 \$1.80	11 4
H.K. Lands	\$50 \$32½	68½ 44	Wing On Textiles	— —	— —
S'hai Lands	\$2.10 .90	4 1.70			
Humphreys	\$11.70 \$7½	15.10 9			
H.K. Realities	\$2.10 \$1.90	2.10 1.80			
Chinese Estates	\$130 \$130	140 140			

1 £5 shares before subdivided into £1/-/-
Note: only Reported Sales are shown.

COMMERCIAL REPORTS

Indochina's Rubber Output and Exports.

Rubber production amounted to 3,310 long tons in June, bringing the total for the first 6 months of 1950 to 17,499 tons, according to preliminary statistics of the Syndicate of Rubber Planters in Saigon. In the first 6 months of this year, output averaged 2,917 tons per month as against 2,511 tons per month in the corresponding period of 1949.

Producers believe that total 1950 output will at least equal and probably exceed the 42,251 tons recorded in 1949, but lack of security and shortage of labor continue to be the limiting factors on rubber output. Belief is that complete pacification of Cochinchina, where most of the plantations are located, would permit production to be increased to nearly 70,000 tons annually within 1 year.

Consumption of rubber in Indochina amounted to 84 tons in May and 458 tons in the first 5 months of the year. Most of this rubber is consumed in two factories, which manufacture bicycle tires, rubber footwear, belting, tubing, and miscellaneous consumer items. Prewar (1938) consumption averaged only 15 tons per month.

Exports of rubber from Indochina amounted to 2,416 tons in May and 3,284 tons in June. Total for January-June 1950 was 24,765 tons as against 19,143 tons in the like period of 1949.

Stocks of rubber in the Saigon-Cholon area and on plantations were placed at 4,882 tons at the end of June, unchanged from the preceding month, but down 8,267 tons from January 1, 1950.

Purchases of Tools by Far Eastern Countries.

Greatly expanded exports of tools to Indonesia in 1949 were followed by severe restrictions on such sales in early 1950, when shipments were less than one-fifth the 1949 level. Virtually all types of tools are affected. Although importers are actively interested in United States tools, such purchases are limited largely to those items for which no alternative sources of supply can be found.

Siam expanded its purchases of files and rasps in the first quarter of 1950, but imports of most other United States tools were greatly reduced. The market for tools was reported to have become overstocked in 1949 as a result of large imports from the United States, United Kingdom, Sweden, and Germany. Demand for most United States tools is said to be unfavorably affected in Siam by ample inventories, relatively high prices, long shipping time, and easier credit from suppliers in other countries.

Extensive postwar demand in the Philippines for hand tools to replace tools lost during the war and to supply needs in construction activities was largely satisfied in 1948. A declining trend has been evident in 1949 and early 1950, although shipments of certain carpenters' tools such as augers, bits, etc.; braces, and drills; and planes, chisels, gouges, etc. increased in 1949. Initial figures for 1950 indicate increased sales of files and rasps after a 1949 decline, but a lower level of demand for tools in general. Supplies are obtained largely from the United States with limited participation by the United Kingdom, Germany, and Japan.

A steadily increasing market in Hongkong was an unusual feature of the trade in 1947-49 and January-March 1950. Expanded sales were evident in the latter period of hacksaw blades, hand saws, files and rasps, wrenches, pliers and threading tools.

Most hand tools sold in Hongkong were destined to be resold and forwarded for use in China and other neighboring areas, including Malaya, Siam, and North and South Korea. Tools are resold to Chinese buyers in small quantities with the forwarding problem left up to the purchaser.

The United States and the United Kingdom have been about equal in importance as sources of supply in recent years, with a slight advantage to the United States in 1949. However, United States participation in the market is considered likely to decline progressively because of price competition from the United Kingdom and Germany, especially the latter.

Exports of Fish-Liver Oil from Taiwan

Taiwan's exports of fish-liver oils, sources of vitamins, to the United States are increasing. June 1950 exports totaled 11,920 kilograms, valued at US\$14,361, compared with 2,700 kilograms, valued at \$6,804, and 6,480 kilograms, valued at \$14,440, in April and May, respectively.

Shipping up the Yangtze

Vessels returning from Shanghai report that the Yangtze estuary is now clear of mines and that the Communist port authorities have established navigation lights along the Whangpoo river. A pilot service to take ships into the port has also been provided.

China Merchants' Steam Navigation Co.

The China Merchants' Steam Navigation Co. has now completed the transfer of 13 steamships, under the Chinese communist flag, to Canton. These vessels, which have been lying inactive in Hongkong harbour for a long period, will be used on the run between Canton and Hoihow and Yulinkan, but it is hoped that sailings to Singapore and Hongkong will shortly be resumed. A large tanker of 10,000 tons belonging to the C.M.S.N.C. still remains in Hongkong harbour.

Taiwan Import Controls

The Taiwan authorities have decided to remove certain commodities from the category of temporarily prohibited imports and to place them on the lists of permitted imports and controlled imports.

The commodities transferred to the list of permitted imports are as follows:

(1) No. 644, d. tires and inner tubes for motor vehicles. (2) No. 366, isinglass, vegetable. (3) No. 663, starch. (4) No. 626, pencil lead. (5) No. 252, industrial electric furnace. (6) No. 263, electric board indicator. (7) No. 628, emery-cloth. (8) No. 672, latex. (9) No. 561, MG kraft waste-made box. (10) No. 334, rapeseed oil. (11) No. 672, fishing lines. (12) No. 601, printing mats. (13) No. 570, cow bones. (14) No. 327, olive oil. (15) No. 561, confection cellophane paper and printings. (16) No. 245, transformers attached to poles over 5-kilo-volt-ampere (transformers under 5-KVA are still listed as a controlled import item). (17) No. 211, bamboo steel (1% and over). (18) No. 240, metals n.o.p.f. Silco-iron plates. (19) No. 300, bacon and hams, canned or in any other packing. (20) No. 302, beef, corned or pickled, canned or in any other packing. (21) No. 305, butter. (22) No. 307, cheese. (23) No. 323, milk and cream, evaporated or sterilized. (24) No. 382, fresh potatoes. (25) No. 654, pens, pencils and other office requisites, n.o.p.f.

The commodities removed from the temporarily prohibited imports list to that of controlled imports are the following:

(1) No. 672, brewing yeast. (2) No. 256, motor vehicles and others including motor-cars, motorcycles etc. and parts and accessories. (3) No. 465, soda ash. (4) No. 615, glass receptacles.

Taiwan's 1951 Sugar Output

The Taiwan Sugar Company has estimated that the 1951 sugar production in Taiwan will amount to 400,000 tons, of which one half will consist of the superior grade of granular sugar for export.

Resuming Trade with S. Korea

Ships are now being held in readiness to be used for resuming shipping services between Hongkong and South Korea as soon as permission has been obtained from the competent authorities, according to local shipping circles.

Market quarters report that an endless stream of enquiries has been received lately from South Korean merchants. In view of the urgent need for rehabilitation materials in war-devastated South Korea, local traders is metals, industrial chemicals, pharmaceuticals, etc., as well as shipping circles are keenly interested in the prospect of a resumption of trade with Korea.

Arrivals of China Produce

Owing to the typhoon threat to Hongkong, the incoming shipments of various China products showed a marked drop compared with the previous week's deliveries.

Last week's arrivals were headed by tea, which registered an increase of more than 1,000 chests, followed by tung oil with an increase of 600 drums. However, cassia lignea, totalling only 1,750 packages, registered a sharp decline of 3,718 packages. Among the imports there were also 500 packages of hog bristles from Canton.

China produce unloaded during the week was as follows:

Tea	4,620 chests
Tung Oil	3,856 drums
Ramie, etc.	1,900 packages
Cassia Lignea ..	1,750 "
Fresh Eggs	1,348 "
Hog Bristles	500 "
Rapeseed Oil	412 "
Teased Oil	256 "
Feathers	186 "
Hides	73 "
Casings	49 "
Cassia Oil	5 "
Aniseed Oil	4 "

Trade of India for 9 Months

The foreign trade of India for the nine months October 1949 to June 1950 totalled Rs. 7,480 million as compared with Rs. 7,720 million for the same period last year. The drop was in imports, which amounted to Rs. 3,710 m. as against Rs. 4,690 m. for last year. Exports came to Rs. 3,770 m. compared with Rs. 3,030 m., giving a favourable balance of Rs. 60 m., which according to the Indian Finance Minister can be attributed to sterling devaluation, this being particularly noticeable in regard to exports of cotton textiles and tea to soft currency areas. (Rs. 15 equal £; Rs. 1.20 equal HK\$).

Hongkong Commodity Markets

Raw Cotton

Notwithstanding a continued demand for Raw Cotton by local mills, only a limited amount of business was done last week owing to the shortage of stocks. Market sentiment was strengthened toward the close of the week by reports of the further rise in the replacement price of Pakistan Cotton by an average of about 30 rupees per bale. This, however, made no immediate impression on local quotations, which continued to rule steady. The prices of all varieties ended unchanged from those of the preceding week except that for the Rangoon product which advanced to \$2.65 per lb. as compared with \$2.20 previously. The weekend market rates were: American Cotton 1" \$2.90 per lb., Pakistan NT Roller Gin \$2.70, LSS Roller Gin, sellers, \$2.86, and 4F Roller Gin \$2.65. Egyptian Cotton was last quoted at \$2.75 and Iran Cotton at \$2.00 per lb.

Cotton Yarn

After ruling easy and featureless at the beginning the market later rallied on various bullish developments on Saturday, when considerable gains were recorded. Earlier losses were recovered and prices closed at about the same levels as at the end of the preceding period. The rally was due chiefly to reports of the banning of all cotton yarn and piece goods exports by the Chinese Communist authorities, and of orders for 15,000 bales of cotton placed by South Seas buyers in the local market. Orders for 500 bales of 20's were also said to have been placed here by the Taiwan Cotton Millowners' Association at \$1,600 per bale for distribution among the cotton mills in Taiwan. A revival in business transactions was thus witnessed, causing the market to display a firm undertone.

The quotations ruling at the close were: Shanghai, Blue Phoenix 20's \$1,520 per bale and Silver Moon 32's \$1,730; Hongkong, Golden Peak 10's \$1,340, Camel 20's \$1,680, Golden Peak 32's \$1,910, and Camel 40's \$2,120; India, Phoenix 10's \$1,180, and Gokak Mills 20's \$1,360.

Piece Goods

The market opened easy, with business done at the commencement at noticeably lower prices as compared with those ruling the previous week. Trading interest, however, increased subsequently as market conditions developed distinctly in favour of buyers. The reported ban by the Chinese authorities on yarn and cloth exports as well as improved overseas buying effectuated a quick rally; and "Ching Liang Yu" White Cloth, traded in at the start of the week at \$55.40 per bolt, firmed up to \$58.20, while "Green Mammouth" Grey Shirting

advanced to \$61.80. Other products were also firm, with prices closing with little change as compared with the week before.

Woolen Knitting Yarn

Following the recent sharp rise in prices, a reaction was generally anticipated in this market last week. This bearish sentiment was due to reports that foreign countries had mostly relaxed their control on the export of this item, and that several hundred thousand pounds of fresh stocks were expected within the immediate future. Further, the mainland Communist authorities continued to maintain a strict ban on those imports which are considered as luxury goods. Prices at the close ranged from under \$10 to over \$20 per lb., "Beehive" 4-ply was quoted at \$16, "BB" at \$14, and "Five Oaks" at \$10.50.

Metals

Under an unusually dull trading interest, the market followed a downward trend last week. Declines were registered in Round Bars, Galvanised Mild Steel Sheets, Blackplates and Blackplate Waste, although these were comparatively small. Since the local government ban on the export of Tinplates and Blackplates, both buyers and sellers have been adopting a waiting attitude. The drop in the costs of these products, however, was said to have greatly benefitted the local enamelware factories. The quietness of the market was due mainly to the temporary satisfaction of buyers in China.

The prices of most items were weaker last week. British Tinplates 20"x28" were traded in on Friday at \$200 per 200-lb. case, and Electrolytic Tinplates at \$105 per 200-lb. case, with a tendency to further sagging. Market quotations at the close for Round Bars 1½" were \$52 per picul, Mild Steel Plates 1/16" \$9' per picul, Galvanised Mild Steel Sheets G24 82 cents per lb., and Galvanised Iron Wire G6 \$78 per picul.

Dyestuffs

Good demand for Dyestuffs continued last week as Canton buyers resumed their demand and competed with merchants from Shanghai. The quotations for most items rallied as a result. The turnover on Friday amounted to more than 200 piculs, with Indigo 20% Paste in 25-catty tins transacted at \$375 per picul, and in 100-catty tins at \$365 per picul; 647 Erie Black at \$1,000 per picul; 140 Niagara Blue at \$920 per picul; and 210 Eire Congon at \$830 per picul. Shanghai merchants continued with a strong demand for indigo dyes.

Paper

Except on Wednesday and Thursday, when the typhoon warning kept traders away from the market, trading remained very active. Holders were generally optimistic over future

prices in view of the temporary severance of sources of supply, as European mills were reported to have been fully booked up till April next year. A gradual drop in buying interest, however, was in evidence as buyers appeared to have been largely satisfied after heavy purchases in the local market. A new feature was the presence of Australian traders purchasing M. G. Sulphite Brown from dealers here. Indian buyers were demanding Tissue Paper, M. G. Pure Sulphite and Wrapping Paper, while Indonesian importers took interest in Flint Paper, Philippine buyers in Boxboard and Manifold Paper, and Macao and local paper consumers in Duplex Board and other items.

Closing quotations for various products in demand were Manifold Paper, Swedish, \$23 per ream, Flint Paper 20"x30" coloured \$84 per ream, M. G. Cap White \$10.50 per ream, M. G. Pure Sulphite \$16.30 per ream, Duplex Board 240-lb. \$255 per ream, and Newsprint in Rolls (Norwegian) 53½ cents per lb.

Rubber

With Singapore market quotations for Raw Rubber reaching new highs since the outbreak of the Korean war as the result of heavy competitive buying, prices here took a sharp upward turn in the later part of last week. From \$400 the price for No. 1 Smoked Sheets rose to \$420 per picul, No. 2 from \$395 to \$415 per picul, and No. 3 from \$390 to \$410 per picul. It was reported that the Singapore Government was not likely to follow the step taken by Indonesia in raising the export tax, at least not for the time being, but it was said that stocks there were not large and would hardly be adequate to meet the brisk demand now coming from all directions.

Great firmness was displayed by Rubber Tyres, with Goodyear tyres 34"x7" selling for about \$755 per set.

Gunny Bags

Information from foreign import firms indicated the possibility of India allocating another large quota to China in the near future. A great amount of futures was transacted on Friday; November deliveries were contracted for at prices of \$3.48 and \$3.54, with over 3,000 bales being signed up. Local stocks were practically exhausted, and a little business was reported done at the price of \$4.20 for Heavy Cees Green.

Hides

Declining earlier owing to the incessant arrival of fresh supplies, the market later improved upon brisk enquiries from Europe and Japan offering better prices. Deals were concluded at \$758 per picul for salted cowhides of light weight, \$600 per picul of medium weight, and \$570.50 per picul of heavy weight; \$316.60

per picul for salted buffalo hides of over 40 lbs., \$308.50 per picul of over 30 lbs., and \$278.50 per picul of over 20 lb. With shipping services having resumed between Canton and Hoihow, the large stocks believed to be held in the latter port are expected to be brought out to the Hongkong market.

Coconut Oil

Demand from North China appeared to have slackened somewhat while shipments continued to arrive from Singapore to augment the local stocks. Transactions totalling 500 tons were reported on Wednesday, the prices being \$144 to \$145 per picul, and that for delivery in 12 days, \$141 to \$142.

China Produce

As buyers continued to adopt a waiting attitude, quotations for most products tended toward further weakness during the week. Over 1,000 drums of Teaseed Oil, said to have been purchased previously at over \$160 per picul, were liquidated by holders for cash at \$144 per picul. Tung Oil was likewise easy, and very little business was reported owing to buyers and sellers being unable to come to terms. The price asked was \$180 while buyers were willing to pay only \$176. Large shipments of Peanut Oil were due from Tsingtao; business was first transacted at \$146 per picul, but later there was no buying demand at \$144.

Owing to good support given by Taiwan traders and to the report of an export ban having been imposed in North China, Beancake displayed a very firm tone. Much forward business was reported, including some 3,000 tons of Dairen products for delivery in one month at \$28 per picul. Over 1,000 tons of Dairen Soyabean futures also were transacted at \$49 per picul. Due to demand from export firms and local oil mills, Groundnuts tended upward. About 2,000 tons were traded in at around \$64 per picul, and another 1,000 tons at \$68.

Hog Casings ruled dull and steady. It was reported from Shanghai that the temporary export ban introduced on September 14 had been lifted since the general price situation had improved. The export floor price was adjusted slightly upward at US\$0.78 per pair, f.o.b. Shanghai.

Hankow Gallnuts, East River Rosin, Yuankiang Ramie, and Hankow Gypsum all showed easiness under the poor buying demand. Business was transacted in 2,000 tons of Liuchow Gallnuts for delivery in three months at \$102 per picul. Some Tin Regulus 99% was dealt in at \$870 per picul, showing a drop of \$30 from that prevailing two weeks earlier, while Szechuan Ramie receded to \$148 per picul. Duck Feathers moved marginally upward on a shortage of supply, the Hoihow variety being quoted at \$420 and the Pakhoi at \$465 per picul.

Industrial Chemicals

Continuing the reaction which set in at the end of the preceding week, the market generally ruled quiet and easy, with a tendency toward a late rally. Buyers were seen to exercise a great deal of caution in view of reports that large shipments of fresh stocks were expected to be due shortly. An example of the sharp reverse trend was seen in Caustic Soda, which sank further during the week. For the American product in 700-lb. drums sellers asked the price of \$210 per drum, but buyers would offer only \$200, representing a drop of some 30% from the \$275 ruling only the week before. "Crescent" Brand was offered at \$240 per drum and there were no buyers. Under active liquidation, U. S. Sulphur Powder also slumped from \$27 to \$22 per picul. Lower levels were seen by Carbon Black, with "Wetco" touching \$1,000 and "Getz" \$1,250. Zinc Oxide displayed strength on the depletion of stocks and the absence of prospects of new supplies, three tons of South African "White Seal" 9% having changed hands at \$1.75 per lb. An

improvement was noted in Monsanto Polystyrene Molding Compound, 10 drums being transacted at \$6.50 per lb., and also Calcium Hypochloride, Mimosa Extract and Glycerine.

Although shipments were coming in steadily, Sulphate of Ammonia saw a rally on revived demand from Swatow, where the authorities were said to have granted licences for the importation of 6,000 tons. The ex-steamer price for the Japanese "Harvest" brand was quoted at \$555 per ton.

With buying circles restricting their interest to await developments, the volume of trading was small in comparison with the turnovers reported in previous weeks. The tone of the market on the whole was weaker but certain items, still in brisk demand despite the anticipation of fresh shipments, recorded varying gains. For example, while Chlorate of Potash went down from \$1.12 to 98 cents per lb., Monsanto Molding Compound advanced from \$5.40 to \$6.50 per lb.

Japanese Textile Production

(Units: Yarn 1,000 lbs. Cloth 1,000 sq. yds.)

	May 1950	June 1950
Pure cotton yarn	38,920	43,038
Cotton waste yarn	353	348
Cotton cloth production		
Independent weavers	63,481	65,233
Spinner weavers	59,008	63,756
Other weavers	106	297
Number of spindles		
Installed	3,872,118	3,886,150
Operable	3,851,172	3,867,992
Operating		
Month-end	3,569,846	3,655,321
Average	3,492,159	3,768,368
Number of Looms		
Installed		
Independent weavers	173,628	174,047
Spinner weavers	49,755	50,113
Total	223,381	224,160
Operable		
Independent weavers	172,017	172,541
Spinner weavers	49,645	60,037
Total	221,662	222,578
Operating		
Independent weavers	100,413	102,574
Spinner weavers	45,695	43,759
Total	146,108	146,333
Number of operatives		
Working		
Spinning mill	59,517	59,442
Independent weavers	78,596	78,656
Spinner weavers	31,957	31,844
Filament rayon yarn	8,066	8,429
Rayon staple	11,416	12,001
Spun rayon yarn	6,388	6,929
Filament rayon cloth	34,603	38,801
Spun silk cloth	738	969
Silk mixture cloth	2,131	1,661